

CITY OF BOUNTIFUL, UTAH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005



Prepared by:

Bountiful City Administrative Services

Galen D. Rasmussen, MPA, CPA
Administrative Services Director

Treasury Department
Mark O. McRae, CMFA
City Treasurer

Administrative Department
Kim J. Coleman, CPA
Finance Director/City Recorder

Ralph T. Hill, Jr., CPA
**Assistant Finance Director/
Deputy City Recorder**

Information Systems Dept.
Alan M. West
Information Systems Manager

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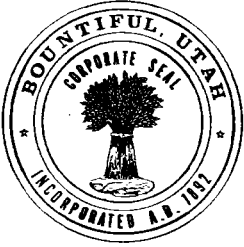
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INTRODUCTORY SECTION

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BOUNTIFUL

City of Beautiful Homes and Gardens

JOE L. JOHNSON
MAYOR

CITY COUNCIL
RICHARD L. HIGGINSON
BARBARA HOLT
R. FRED MOSS
JOHN S. PITT
THOMAS B. TOLMAN

CITY MANAGER
THOMAS R. HARDY

October 6, 2005

To the Mayor, City Council and Citizens of Bountiful City,

State law requires that all local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Bountiful for the fiscal year ended June 30, 2005.

This report consists of management's representations concerning the finances of the City of Bountiful. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Bountiful has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Bountiful's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Bountiful's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Bountiful's financial statements have been audited by Jensen & Keddington, P.C., a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Bountiful, for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Bountiful's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the government

The City of Bountiful was incorporated December 14, 1892 under the laws of the Territory of Utah. The City is governed using a manager form of government. The City Manager is the chief administrative and budget officer of the City. The Mayor is part of a six member elected body (five City Council Members) that develops policy and enacts local laws. The Mayor and Council Members are each elected for a four year term to serve the citizens at large. The terms of office are staggered every two years (three council seats in one year and two council seats and mayor in the next election). The Council is organized into committees over the functional areas/departments of the City, typically comprised of three elected officials each. The City Manager and department directors comprise the Executive Management Team that operates the City day-to-day and recommends priorities to the Mayor and City Council.

The City provides the following services: public safety (police and fire), parks and recreation (parks, cemetery, pool, ice arena, recreation programs and golf), public works (engineering, planning and streets), public utilities (electricity, water, sanitation, landfill and storm water), and general government (legislative, executive, legal, administrative services).

The City limits cover an area of 14 square miles. The City's estimated population for 2005 is 43,449 with a potential for approximately 45,000 residents at build-out within four to five years.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered in the specific environment within which the City of Bountiful operates.

Local economy. Bountiful is located in south Davis County and serves as a center for business activity within the south Davis County area. The City is host to a large regional hospital, major retail providers, car dealerships and professional firms.

Long-term financial planning. Bountiful prides itself in conservative financial management and prudent financial planning. The City maintains a pay-as-you-go financing mechanism for the majority of capital facility needs but also utilizes the debt markets as market conditions become favorable and need arises. The City prepares and regularly updates its ten-year capital improvement plan to ensure that capital needs are identified and funded. Operating budgets are reviewed extensively and balanced annually with conservatively estimated revenues.

Cash management policies and practices. Cash, temporarily idle during the year, was invested in U.S. Treasury and Agency securities and high grade corporate debt in addition to certificates of deposit. Investments are made in compliance with the City's investment policy which models State law. This policy has been adopted by resolution of the City Council and certified by the Association of Public Treasurers of the United States and Canada, and the policy is updated periodically. Information regarding the types, amounts and risks of investments held is contained in note 2 of the notes to the financial statements. The investment maturities can range from one day to 3 years. The weighted average maturity of the portfolio at the end of the fiscal year was approximately 0.95 years. The average yield for the entire year was 2.40%. Yields and amounts include increases in fair value during the current year. However, increases in fair value do not necessarily represent trends that will continue or cash that will be available. It is not always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

Risk management. Bountiful is self-insured for general liability and workers' compensation, and internal service funds have been established to assist with administration of these two insurance programs. Resources have been accumulated in these two funds for payment of claims. In addition, safety programs and other measures to reduce loss have been implemented. The City has insurance policies covering errors and omissions, property (buildings and contents), and excess liability.

Pension and other post-employment benefits. The City participates in the State of Utah Retirement Systems for all full-time permanent employees. The City also provides deferred compensation plans under IRS code sections 401(k) and 457. These plans are administered by outside managers and administrators on behalf of the City and its employees.

Awards and Acknowledgments

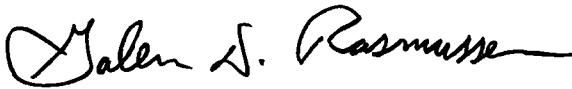
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bountiful for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR which satisfied both GAAP and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We appreciate all who contributed in any way toward the preparation of this comprehensive annual financial report. Their assistance has enabled us to bring together all of the data necessary to complete the report. The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the departments which comprise Administrative Services. In particular we express appreciation to Ralph T. Hill, Jr., CPA who, as Deputy City Recorder and Assistant Finance Director, played a key role in the preparation and production of this report. Recognition and thanks also go to Mark O. McRae, City Treasurer, and Alan M. West, Information Systems Manager, for their efforts and support during the audit and throughout the year.

Most importantly, we express our sincere thanks and appreciation to Mayor Joe Johnson, members of the City Council and City Manager Tom Hardy for the many hours they spend in helping to run the City organization and to maintain the quality of life enjoyed by citizens of this great community.

Sincerely,



Galen D. Rasmussen, MPA, CPA
Administrative Services Director



Kim J. Coleman, CPA
Finance Director & City Recorder

**CITY OF BOUNTIFUL
PRINCIPAL OFFICIALS
June 30, 2005**

ELECTED OFFICIALS

Joe L. Johnson	Mayor
Richard L. Higginson	City Council Member
Barbara Holt	City Council Member
R. Fred Moss	City Council Member
John S. Pitt	City Council Member
Thomas B. Tolman	City Council Member

EXECUTIVE BUDGETARY AND LEGAL OFFICIALS

Thomas R. Hardy	City Manager
Russell L. Mahan	City Attorney
Galen D. Rasmussen, CPA	Administrative Services Director

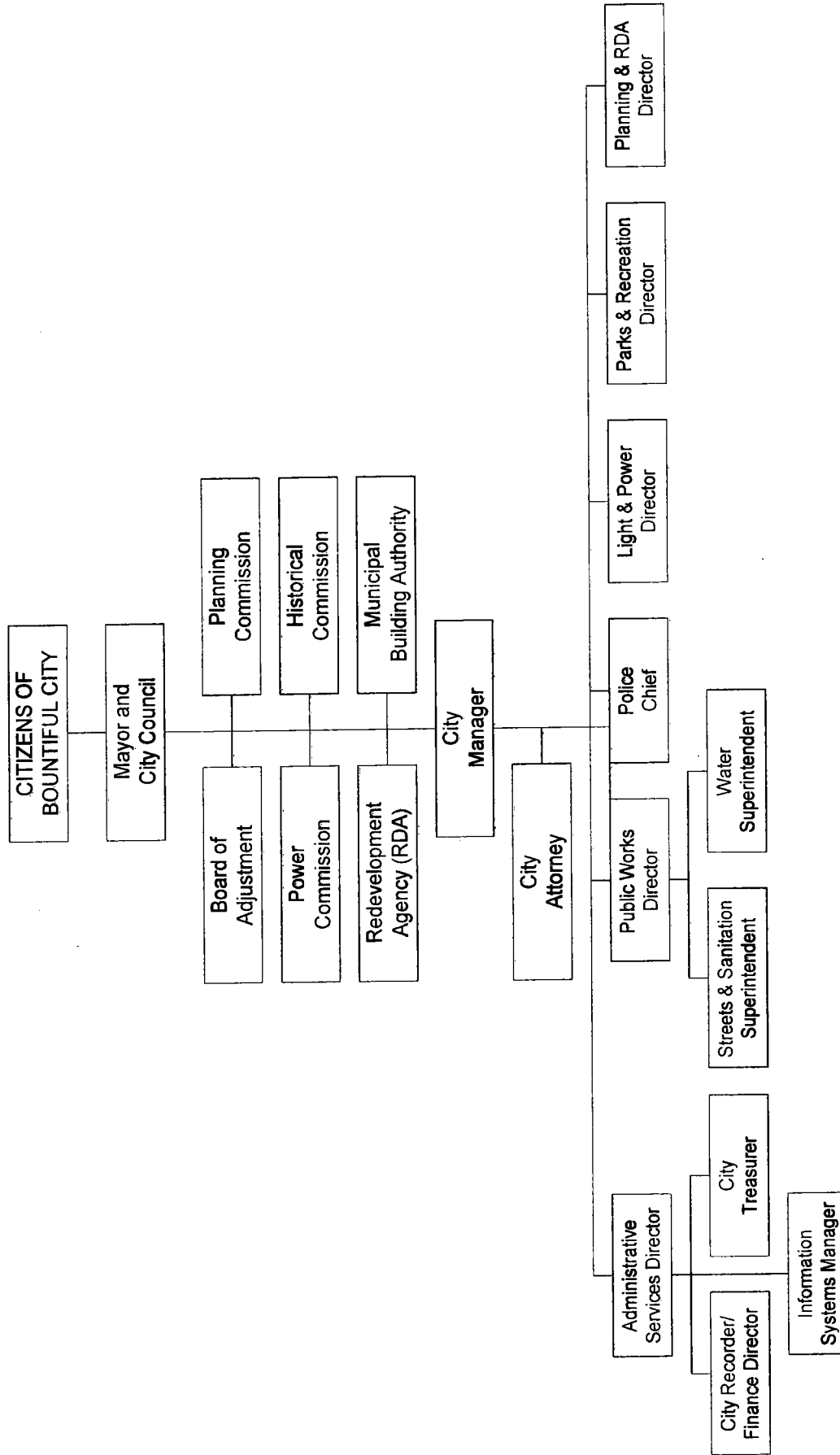
STATUTORY APPOINTED OFFICIALS

Kim J. Coleman, CPA	City Recorder & Finance Director
Mark O. McRae, CMFA	City Treasurer

DEPARTMENT HEADS

Terry Thompson	Streets & Sanitation Superintendent
Aric A. Jensen	Planning & Redevelopment Director
E. Neal Jenkins	Parks & Recreation Director
Clifford C. Michaelis	Light & Power Director
Paul C. Rapp	Police Chief
Paul C. Rowland, PE/LS	Public Works Director
Alan M. West	Information Systems Manager
David M. Wilding, PE	Water Superintendent

**CITY OF BOUNTIFUL
ORGANIZATIONAL CHART
June 30, 2005**



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bountiful,
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

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FINANCIAL SECTION

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Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of City Council
City of Bountiful
Bountiful, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bountiful as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bountiful's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bountiful as of June 30, 2005, and the respective changes in financial position, and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as noted on the table of contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 6, 2005 on our consideration of the City of Bountiful's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Bountiful's basic financial statements. The introductory section, supplementary information, as listed in the table of contents and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information as listed in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Jensen & Keddington

October 6, 2005

**CITY OF BOUNTIFUL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2005**

As management of the City of Bountiful, we offer to readers of the City of Bountiful's financial statements this narrative overview and analysis of the financial activities of the City of Bountiful for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets of the City of Bountiful exceeded its liabilities at June 30, 2005 by \$182,973,787. Of this amount, unrestricted net assets of \$64,970,920 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net assets increased by \$1,684,202 from the prior year. Of this amount \$2,722,561 was associated with governmental and (\$1,038,359) with business-type activities.
- As of the close of the current fiscal year, the City of Bountiful's governmental funds reported combined ending fund balances of \$28,003,332, an increase of \$1,795,626 in comparison with the prior year. Of this amount, \$24,920,057 is unreserved and available for spending. The remaining \$3,083,275 has been reserved due to legal restrictions involving parties outside the financial reporting entity.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,125,154, or 16.94% of total General Fund expenditures.
- The City of Bountiful's bonded debt obligations decreased by the net amount of \$521,000. The decrease was attributable to principal payments on the existing Municipal Building Authority Lease Revenue Bonds in the amount of \$373,000 and Special Assessment Bonds in the amount of \$148,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Bountiful's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. These statements are designed to provide readers with a broad overview of the City of Bountiful's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Bountiful include general government, public safety, highways and streets, planning and

CITY OF BOUNTIFUL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

engineering, parks, and redevelopment. The business-type activities of the City include water, light and power, landfill, storm water, golf course, recreation, sanitation and cemetery.

The government-wide financial statements include not only the City of Bountiful itself (known as the primary government), but also a legally separate Redevelopment Agency and a Municipal Building Authority which are both component units of the City. Financial information for these component units is reported entirely within the primary government report. A separate set of financial statements is also prepared for the Redevelopment Agency.

Fund financial statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Bountiful can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is more narrow than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund and Redevelopment Agency Fund, which are considered major funds. Data from the other four funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Bountiful adopts a one-year budget for its General Fund, Capital Projects Fund and Redevelopment Agency Fund. A budgetary comparison statement has been provided for each of the aforementioned funds to demonstrate compliance with the fiscal year 2005 budget.

Proprietary funds. The City of Bountiful maintains two different types of proprietary funds, namely enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains eight individual enterprise funds. Information is presented separately in the proprietary statement of net assets and the proprietary statement of revenues, expenses and changes in fund net assets for the Water Fund, Light and Power Fund and the Landfill Fund, which are considered major funds. Data from the other five funds are combined into a single aggregated presentation. Individual fund data for each of these non-major proprietary funds is provided in the form of combining statements elsewhere in this report. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City of Bountiful uses internal service funds to account for its workers compensation and risk management activities. Because these services benefit both governmental and business-type functions, they have been allocated to both governmental activities and business-type activities in the government-wide financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the report.

CITY OF BOUNTIFUL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Fiduciary funds. These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. The combining statements referred to earlier in connection with non-major funds and internal service funds are presented immediately after the basic financial statements. Also included are budget comparisons for governmental funds other than the General and Redevelopment Agency.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2005, the City's assets exceeded liabilities by \$182,973,787. By far the largest portion of the City's net assets (62.70%) reflects its investment in capital assets, less any related debt, which is still outstanding, used to acquire those assets. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Bountiful's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Current and other assets	\$ 37,950,805	\$ 41,891,870	\$ 37,466,646	\$ 37,953,989	\$ 75,417,451	\$ 79,845,859
Capital assets	79,436,115	79,735,001	45,308,841	43,449,928	124,744,956	123,184,929
Total assets	117,386,920	121,626,871	82,775,487	81,403,917	200,162,407	203,030,788
Long-term liabilities outstanding	9,508,402	9,197,279	-	492,223	9,508,402	9,689,502
Other liabilities	5,674,532	7,503,045	3,689,888	2,864,454	9,364,420	10,367,499
Total liabilities	15,182,934	16,700,324	3,689,888	3,356,677	18,872,822	20,057,001
Net assets:						
Invested in capital assets, net of related debt	70,459,760	71,268,430	45,308,841	43,449,928	115,768,601	114,718,358
Restricted	3,953,520	3,284,509	557,822	-	3,284,509	3,284,509
Unrestricted	27,790,706	30,373,608	33,218,936	34,597,312	61,009,642	64,970,920
Total net assets	\$ 102,203,986	\$ 104,926,547	\$ 79,085,599	\$ 78,047,240	\$ 181,289,585	\$ 182,973,787

An additional portion of the net assets, \$3,284,509 (1.79%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$64,970,920 (35.51%), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

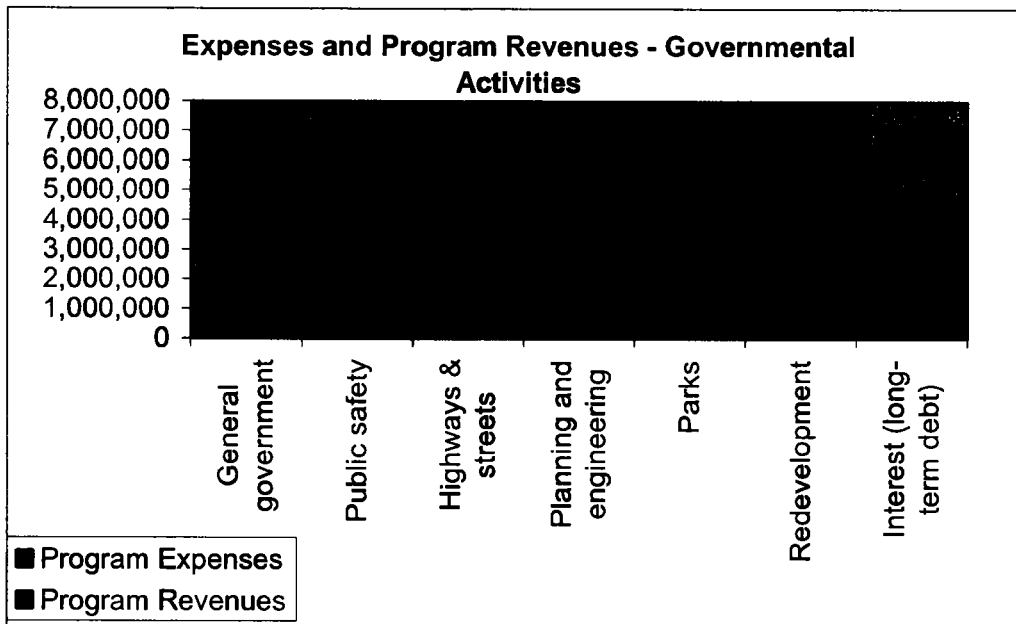
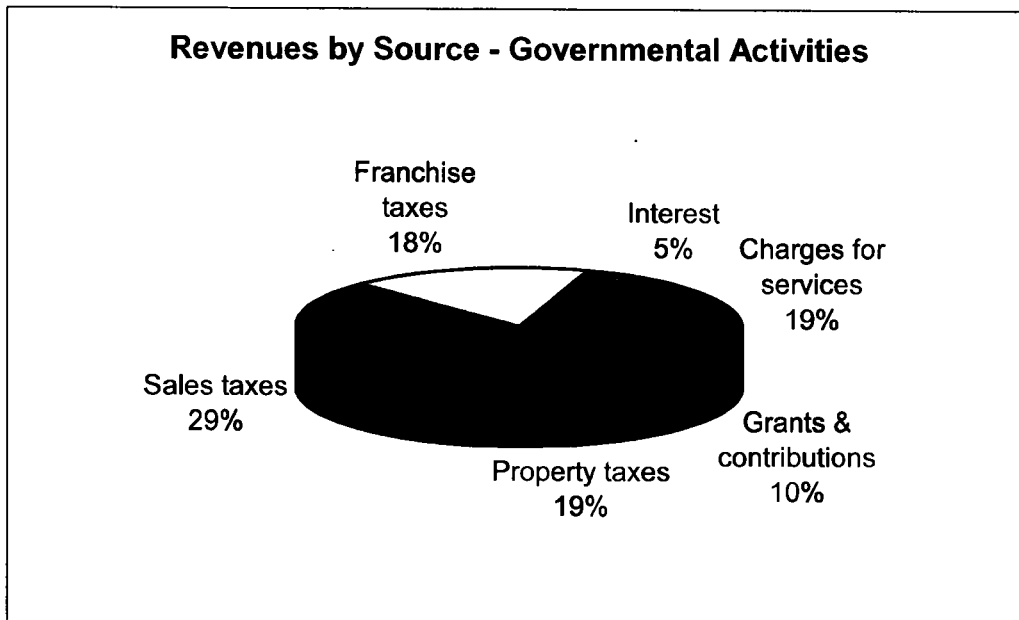
CITY OF BOUNTIFUL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

City of Bountiful's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Revenues:						
Program revenues:						
Charges for services	\$ 3,127,555	\$ 3,122,542	\$ 26,955,564	\$ 27,369,251	\$ 30,083,119	\$ 30,491,793
Operating grants and contributions	1,528,072	1,130,144	-	-	1,528,072	1,130,144
Capital grants and contributions	100,000	533,800	502,610	537,465	602,610	1,071,265
General revenues:						
Property taxes	3,089,777	3,118,929	-	-	3,089,777	3,118,929
Other taxes	7,402,183	7,980,961	-	-	7,402,183	7,980,961
Other	856,600	847,793	385,667	624,016	1,242,267	1,471,809
Total revenues	16,104,187	16,734,169	27,843,841	28,530,732	43,948,028	45,264,901
Expenses:						
General government	2,558,680	2,728,127	-	-	2,558,680	2,728,127
Public safety	6,996,107	7,233,939	-	-	6,996,107	7,233,939
Highways and streets	3,345,738	3,307,057	-	-	3,345,738	3,307,057
Planning and engineering	943,017	959,797	-	-	943,017	959,797
Parks	652,659	655,328	-	-	652,659	655,328
Redevelopment	115,585	368,906	-	-	115,585	368,906
Interest on long-term debt	405,936	386,903	-	-	405,936	386,903
Water	-	-	2,306,064	2,556,365	2,306,064	2,556,365
Sewer	-	-	698,890	-	698,890	-
Light and Power	-	-	19,638,313	19,641,972	19,638,313	19,641,972
Landfill	-	-	819,334	1,137,119	819,334	1,137,119
Storm Water	-	-	798,324	1,109,633	798,324	1,109,633
Golf Course	-	-	1,067,225	1,109,632	1,067,225	1,109,632
Recreation	-	-	1,441,275	1,450,748	1,441,275	1,450,748
Sanitation	-	-	649,385	672,534	649,385	672,534
Cemetery	-	-	261,099	262,639	261,099	262,639
Total expenses	15,017,722	15,640,057	27,679,909	27,940,642	42,697,631	43,580,699
Increase in net assets before transfers	1,086,465	1,094,112	163,932	590,090	1,250,397	1,684,202
Transfers	1,582,914	1,628,449	(1,582,914)	(1,628,449)	-	-
Loss on disposal of segment of business	-	-	(3,121,636)	-	-	-
Increase (Decrease) in net assets	2,669,379	2,722,561	(4,540,618)	(1,038,359)	1,250,397	1,684,202
Net assets - beginning of year	97,872,908	102,203,986	83,626,217	79,085,599	181,499,125	181,289,585
Prior period adjustment to capital assets	1,661,699	-	-	-	-	-
Net assets - end of year	\$ 102,203,986	\$ 104,926,547	\$ 79,085,599	\$ 78,047,240	\$ 181,289,585	\$ 182,973,787

CITY OF BOUNTIFUL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

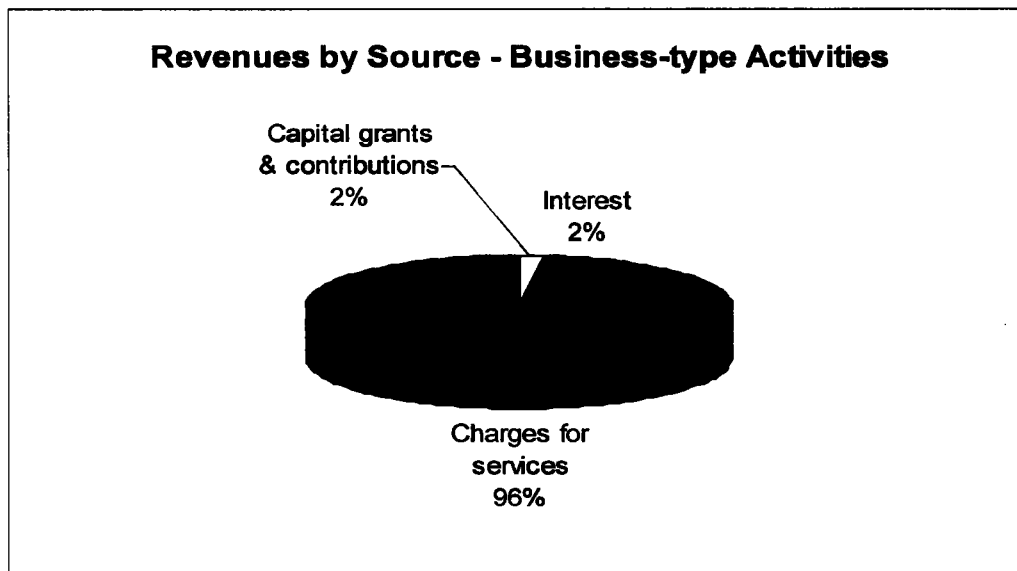
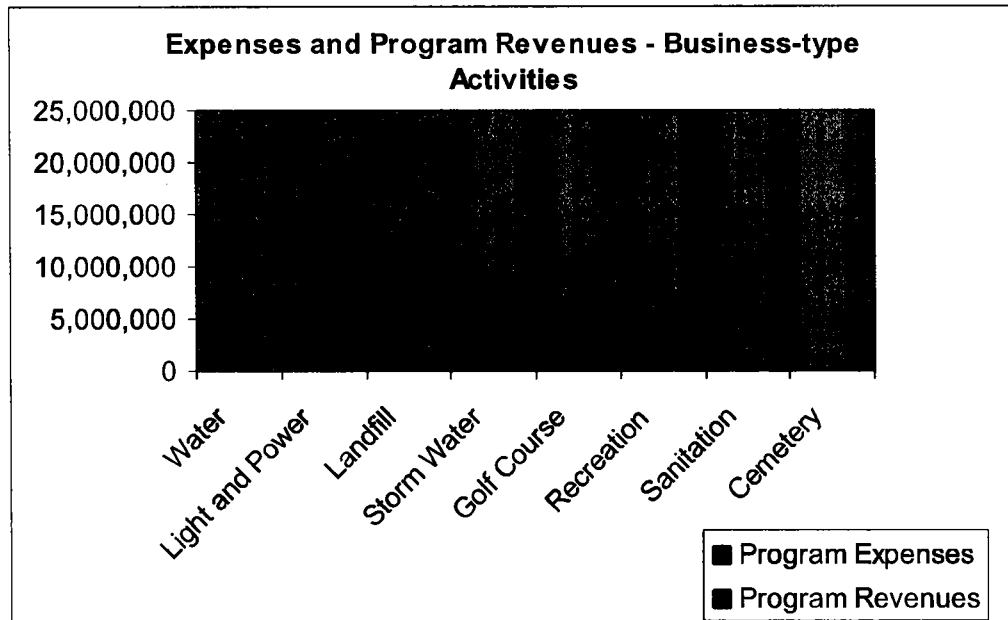
Governmental activities. Governmental activities increased the City's net assets by \$2,722,561. When combined with the \$1,038,359 decrease in net assets from business-type activities, overall net assets increased by \$1,684,202 or 0.93%. The graphs presented below reflect regular operating revenues only and not the effects of special one-time items or transfers.



Increases in governmental net assets are primarily the result of transfers from the City's enterprise funds.

CITY OF BOUNTIFUL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Business-type activities. Business-type activities decreased the City's net assets by \$1,038,359. When combined with the \$2,722,561 that governmental activities added to net assets, overall net assets increased by \$1,684,202. The graphs presented below, contain regular operating revenues only and not the effects of special one-time items or transfers.



Decreases in business-type net assets are primarily the result of transfers to the City's governmental funds.

**CITY OF BOUNTIFUL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005**

Financial Analysis of the Government's Funds

As noted earlier, the City of Bountiful uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The purpose of these funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2005, the City's governmental funds reported combined ending fund balances of \$28,003,332 an increase of \$1,795,626 in comparison to the prior year. Of this amount, \$24,920,057 (88.99%) is unreserved fund balance, which is available for spending at the government's discretion. Of the unreserved fund balance, \$22,831,427 has been designated by the City Council for subsequent years' capital expenditures and other uses, leaving an unreserved undesignated amount of \$2,088,630. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to 1) contracted construction \$254,804, 2) future landfill closure costs \$666,698, 3) perpetual care of the City's cemetery \$1,047,381 and 4) debt service \$1,114,392.

The General Fund is the City's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,125,154, which comprises the total fund balance. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved (and total) fund balance represents 16.94% of total General Fund expenditures. The fund balance of the City's General Fund increased by \$41,506 during the current fiscal year. Contributing to this increase was a \$74,269 (0.71%) increase in General Fund revenues, with a \$198,765 (1.61%) increase in expenditures, resulting in an overall net deficiency of \$1,960,773. A total of \$2,150,520 was transferred in from the Light and Power Fund to cover operating costs, \$99,295 was received from the sale of fixed assets, and \$247,536 was transferred out to the Recreation Fund to cover operating costs of that fund.

The Redevelopment Agency Fund has a total fund balance of \$4,473,103, all of which is unreserved but designated. The Capital Projects Fund has a total fund balance of \$18,618,719, of which \$18,321,800 is unreserved and designated, with the remaining \$296,919 being classified as reserved for debt service.

Proprietary funds. These funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Water, Light and Power, and Landfill funds at the end of the year were \$9,843,106, \$12,513,432 and \$6,680,122 respectively. The total increase (decrease) in total net assets was \$217,953, (\$1,214,670) and \$141,939 for those same funds, respectively, after the effect of any special items. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The final General Fund budget was greater than the original budget by \$25,000, due to additional personnel costs of \$15,000 in the Police department, and \$10,000 in the Treasury department related to personnel costs and other operations and maintenance expenditures.

CITY OF BOUNTIFUL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2005 amounts to \$123,184,929 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, service lines, vehicles and equipment, furniture and fixtures, street lights, sidewalks, curb and gutter, roads and similar infrastructure. The total decrease in the City's investment in capital assets for the current fiscal year was \$1,560,027 (an 0.38% increase equaling \$298,886 for governmental activities and a 4.10% decrease equaling \$1,858,913 for business-type activities). Major capital asset events during the current fiscal year included the following:

- \$9,736,594 in capital asset additions from governmental activities is primarily due to completion of the parking structure and site improvements at the Renaissance Towne Centre, fire station #1, and the road reconstruction project on 1800 south.
- \$8,429,113 in capital asset deletions from governmental activities is due to reductions in last year's construction in process as a result of the above project completions and an increase in accumulated depreciation of \$1,008,595.
- Capital assets increased only \$908,376 from all business-type activities, but accumulated depreciation from business-type activities increased by \$2,767,289.

City of Bountiful's Capital Assets
(Net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Land	\$ 45,993,863	\$ 46,183,219	2,403,436	\$ 3,128,765	\$ 48,397,299	\$ 49,311,984
Infrastructure	13,674,506	14,202,529	24,709,971	25,417,942	38,384,477	39,620,471
Buildings and other structures	6,983,794	14,213,204	5,305,342	4,989,024	12,289,136	19,202,228
Improvements other than buildings	1,872,370	2,650,867	4,081,067	1,589,182	5,953,437	4,240,049
Machinery & Equipment	1,691,600	1,620,710	8,267,650	7,987,261	9,959,250	9,607,971
Furniture & Fixtures	770,502	732,559	18,129	24,213	788,631	756,772
Construction in progress	8,449,480	131,913	493,246	313,541	8,942,726	445,454
Total	\$ 79,436,115	\$ 79,735,001	\$ 45,278,841	\$ 43,449,928	\$ 124,714,956	\$ 123,184,929

Additional information on the City's capital assets can be found in note 6 on pages 38 to 40 of this report.

Long-term debt. At the end of the current fiscal year, the City had \$8,626,000 in outstanding bonded debt consisting of lease revenue bonds and special assessment bonds. All of the bonded debt was secured by specific revenue sources.

**CITY OF BOUNTIFUL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005**

City of Bountiful's Outstanding Bonded Debt

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Lease revenue bonds	\$ 6,507,000	\$ 6,134,000	\$ -	\$ -	\$ 6,507,000	\$ 6,134,000
Special assessment bonds	2,640,000	2,492,000	-	-	2,640,000	2,492,000
Total	\$ 9,147,000	\$ 8,626,000	\$ -	\$ -	\$ 9,147,000	\$ 8,626,000

The City's total bonded debt decreased by \$521,000 during the current fiscal year, attributable to scheduled repayment of the debt. Additional information on the City's long-term debt can be found in note 9 on pages 41 to 43 of this report.

Economic Factors and Next Year's Budgets and Rates

The City reviews national and regional economic forecasts and also performs its own management analysis as a component in the process of developing the one-year operating and capital budgets of the City. The assumptions in the analysis are reviewed with the City Council as background for decisions about revenue projections and cost allocations. Semi-monthly and monthly reports are transmitted to the City Council and provide both budget and actual information for tracking the financial activities of the City during the year.

After several years of sustained economic growth in Bountiful and the surrounding regions, a leveling in key indicators has been apparent over the last three to four years. Budgets for fiscal year 2006 were developed based upon the following assumptions.

- **The overall economic forecast** assumed that the remainder of fiscal year 2005, and most of fiscal year 2006, would exhibit some uncertainty, rebuilding and softness in the national, regional and local economies. Indicators, including housing starts and commercial construction, were projected to be nearly flat along with retail sales and personal income.
- **Development activity** in fiscal year 2005 proved to be modest as measured in value and permit fees. Development activity in Bountiful during fiscal year 2006 was again projected to continue a general leveling trend with movement toward a "maintenance mode" of existing services for the city. Focus for future years continues to be placed on existing developments such as the Renaissance Towne Centre, the former J C Penney property and the traditional main street areas of the city.
- **Taxable sales**, which are shared by the State of Utah with cities, were projected to remain nearly flat due to overall economic factors. However, the City is watching the developments in national legislation geared toward a "Streamlined Sales Tax" that is targeted to provide uniform rates and collection methods by states and localities. This legislation should allow Bountiful, and other taxing entities, to capture uncollected sales tax monies from Internet, catalog and other remote vendors not collected under the current tax system.
- **Cost indicators** for Bountiful were assumed within the forecast to include modest increases in operating costs for personnel services, energy and general goods and services used by City departments. Energy costs and health care costs have continued as "watch areas" for City budget development, and are assumed to increase at a much higher rate than the general level of inflation due to national trends. The City projected that increases in energy and health care costs would be primarily offset by aggressive cost containment in all departments. Health care rate increases of 20 percent were common in many industries, but Bountiful was able to hold them to approximately 10 percent.

**CITY OF BOUNTIFUL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005**

- **Enterprise fund rates and activity** in the fiscal year 2006 budget included a 6 percent increase in power rates to compensate for increasing resource and service delivery costs.
- **Regional cooperation initiatives.** A regional South Davis Recreation District (District) was formed in June 2004. The District will serve the citizens of Bountiful as well as surrounding communities. A new recreation complex is under construction, with completion scheduled for the final quarter of calendar year 2006. The complex is located in Bountiful City near the site of the existing City-owned recreation center. Funding for the District will be provided by citizens of Bountiful and the surrounding communities.

The South Davis Metro Fire Agency (Agency) was formed in October 2004. This Agency provides fire and emergency medical services to the citizens of Bountiful and several surrounding communities. Bountiful's fire department personnel were terminated by the City as of December 31, 2004, and became employees of the Agency. The Agency has full access to, and use of, the former City fire department's assets. However, the City will retain ownership of those assets until the Agency receives its taxing authority status. Until that time, each municipality participating in the Agency will share proportionately in the Agency's operating expenses.

Requests for Information

This financial report is designed to provide a general overview of the City of Bountiful's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Services Director or the Finance Director, City of Bountiful, 790 South 100 East, P.O. Box 369, Bountiful, Utah 84011-0369.

BASIC FINANCIAL STATEMENTS

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CITY OF BOUNTIFUL
STATEMENT OF NET ASSETS
June 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 14,857,364	\$ 11,264,003	\$ 26,121,367
Receivables:			
Taxes	3,965,532		3,965,532
Accounts, net	297,247	3,207,355	3,504,602
Interest	87,599	61,168	148,767
Investments	14,766,038	10,560,578	25,326,616
Inventories	-	1,948,174	1,948,174
Prepays	-	130,166	130,166
Restricted assets:			
Cash and cash equivalents and investments	3,413,246	848,981	4,262,227
Capital assets, net:			
Land, land rights, and water rights	46,183,219	3,128,765	49,311,984
Buildings, wells, and reservoirs	14,213,204	4,989,024	19,202,228
Improvements other than buildings	2,650,867	1,589,182	4,240,049
Transmission, distribution and collection systems	-	23,979,965	23,979,965
Street light and traffic signal system	-	1,437,977	1,437,977
Machinery and equipment	1,620,710	7,987,261	9,607,971
Furniture and fixtures	732,559	24,213	756,772
Infrastructure	14,202,529	-	14,202,529
Construction in progress	131,913	313,541	445,454
Notes receivable	3,716,739	182,010	3,898,749
Real estate inventory held for resale	788,105	-	788,105
Investment in power projects	-	9,751,554	9,751,554
Total Assets	\$ 121,626,871	\$ 81,403,917	\$ 203,030,788
Liabilities:			
Accounts payable	\$ 625,865	\$ 1,317,254	\$ 1,943,119
Accrued liabilities	435,458	326,423	761,881
Accrued interest payable	63,200	-	63,200
Unearned revenue	5,429,611	88,695	5,518,306
Developer and customer deposits	820,174	283,101	1,103,275
Liabilities payable from restricted assets	128,737	848,981	977,718
Noncurrent liabilities:			
Due within one year	631,000	134,642	765,642
Due in more than one year	8,566,279	357,581	8,923,860
Total Liabilities	16,700,324	3,356,677	20,057,001
Net Assets:			
Invested in capital assets, net of related debt	71,268,430	43,449,928	114,718,358
Restricted for:			
Perpetual care	1,044,305	-	1,044,305
Landfill closure	666,698	-	666,698
Debt Service	1,111,749	-	1,111,749
Insurance deposit	453,014	-	453,014
Flex plan	8,743	-	8,743
Unrestricted	30,373,608	34,597,312	64,970,920
Total Net Assets	104,926,547	78,047,240	182,973,787
Total Liabilities and Net Assets	\$ 121,626,871	\$ 81,403,917	\$ 203,030,788

The notes to the financial statements are an integral part of this statement.

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CITY OF BOUNTIFUL
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government Activities:						
General governmental	\$ 1,854,031	\$ -	\$ -	\$ (874,096)	\$ -	\$ (874,096)
Public safety	510,104	33,079	32,650	(6,658,106)	-	(6,658,106)
Highways and streets	73,868	1,097,065	501,150	(1,634,974)	-	(1,634,974)
Planning and engineering	684,539	-	-	(275,258)	-	(275,258)
Parks	-	-	-	(655,328)	-	(655,328)
Redevelopment	-	-	-	(368,906)	-	(368,906)
Interest on long-term debt	-	-	-	(386,903)	-	(386,903)
Total Governmental Activities	3,122,542	1,130,144	533,800	(10,853,571)	-	(10,853,571)
Business-type Activities:						
Water	2,556,365	-	535,946	-	(8,344)	(8,344)
Light and power	19,641,972	-	1,519	-	733,383	733,383
Landfill	1,137,119	-	-	-	(34,087)	(34,087)
Storm water	1,109,633	-	-	-	(393,619)	(393,619)
Golf course	1,109,632	-	-	-	61,551	61,551
Recreation	1,450,748	-	-	-	(499,151)	(499,151)
Sanitation	672,534	-	-	-	99,013	99,013
Cemetery	262,639	-	-	-	7,328	7,328
Total Business-type Activities	27,940,642	-	537,465	-	(33,926)	(33,926)
Total Government	\$ 30,491,793	\$ 1,130,144	\$ 1,071,265	\$ (10,853,571)	\$ (33,926)	\$ (10,887,497)
General Revenues:						
Property taxes				\$ 3,118,929	\$ -	\$ 3,118,929
Sales taxes				5,029,511	-	5,029,511
Franchise taxes				2,951,450	-	2,951,450
Interest on investments				869,986	624,016	1,494,002
Other				202,702	-	202,702
Gain (loss) on sale of capital assets				(224,895)	-	(224,895)
Transfers				1,628,449	(1,628,449)	-
Total General Revenues				13,576,132	(1,004,433)	12,571,699
Changes in Net Assets				2,722,561	(1,038,359)	1,684,202
Net Assets, Beginning				102,203,986	79,085,599	181,289,585
Net Assets, Ending				\$ 104,926,547	\$ 78,047,240	\$ 182,973,787

The notes to the financial statements are an integral part of this statement.

CITY OF BOUNTIFUL
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2005

	General	Capital Projects	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 1,391,441	\$ 8,923,530	\$ 1,822,681	\$ 255,084	\$ 12,392,736
Receivables:					
Taxes	2,518,820	546,712	900,000	-	3,965,532
Accounts - net	288,665	-	-	1,650	290,315
Interest	9,544	48,153	11,558	3,326	72,581
Investments	1,368,214	9,062,363	1,851,039	463	12,282,079
Real estate inventory held for resale	-	-	788,105	-	788,105
Notes receivable	-	-	1,129,934	2,586,805	3,716,739
Restricted assets:					
Cash and cash equivalents and investments	8,743	425,656	-	2,525,833	2,960,232
Total Assets	\$ 5,585,427	\$ 19,006,414	\$ 6,503,317	\$ 5,373,161	\$ 36,468,319
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 349,636	\$ 174,687	\$ 280	\$ -	\$ 524,603
Liabilities payable from restricted assets	-	128,737	-	-	128,737
Accrued liabilities	382,589	49,339	-	-	431,928
Developer and customer deposits	820,174	-	-	-	820,174
Unearned revenues	1,907,874	34,932	2,029,934	2,586,805	6,559,545
Total Liabilities	3,460,273	387,695	2,030,214	2,586,805	8,464,987
Fund Balances:					
Reserved for:					
Construction	-	-	-	254,804	254,804
Landfill closure	-	-	-	666,698	666,698
Perpetual care	-	-	-	1,047,381	1,047,381
Debt Service	-	296,919	-	817,473	1,114,392
Designated Unreserved, reported in:					
Capital Projects	-	18,321,800	-	-	18,321,800
General Fund	36,524	-	-	-	36,524
Redevelopment Agency	-	-	4,473,103	-	4,473,103
Unreserved, reported in:					
General Fund	2,088,630	-	-	-	2,088,630
Total Fund Balances	2,125,154	18,618,719	4,473,103	2,786,356	28,003,332
Total Liabilities and Fund Balances	\$ 5,585,427	\$ 19,006,414	\$ 6,503,317	\$ 5,373,161	\$ 36,468,319

The notes to the financial statements are an integral part of this statement.

CITY OF BOUNTIFUL
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS
June 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	\$ 28,003,332
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	79,735,001
Internal service funds are used by management to charge the cost of insurance for workers' compensation and governmental immunity. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	5,318,759
Accrued interest expense is not due and payable in the current period and therefore is not recorded in the funds.	(63,200)
Long-term liabilities are not due and payable in the current period and therefore are not recorded in the funds.	(9,197,279)
Notes receivable related to the RDA are recorded as such in the statement of net assets.	<u>1,129,934</u>
Total net assets - governmental activities	<u><u>\$ 104,926,547</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF BOUNTIFUL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Capital Projects	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 6,646,988	\$ 3,656,976	\$ 522,536	\$ 273,390	\$ 11,099,890
Licenses and permits	745,235	-	-	-	745,235
Intergovernmental	1,130,144	32,650	76,156	-	1,238,950
Charges for services	1,711,583	7,200	-	545,286	2,264,069
Fines and forfeitures	85,941	-	-	-	85,941
Interest on investments	178,554	388,905	123,376	50,354	741,189
Miscellaneous	88,603	528,150	156,256	38,240	811,249
Total Revenues	10,587,048	4,613,881	878,324	907,270	16,986,523
Expenditures:					
Current:					
General government	2,392,954	-	-	12,229	2,405,183
Public safety	6,289,379	-	-	-	6,289,379
Highways and streets	2,445,684	-	-	-	2,445,684
Planning and engineering	917,673	-	-	-	917,673
Parks	491,351	-	-	-	491,351
Redevelopment	-	-	997,144	-	997,144
Debt service:	-	-	-	-	-
Principal	-	-	-	521,000	521,000
Interest	-	-	-	376,998	376,998
Capital outlay	10,780	2,711,984	-	-	2,722,764
Total Expenditures	12,547,821	2,711,984	997,144	910,227	17,167,176
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,960,773)	1,901,897	(118,820)	(2,957)	(180,653)
Other Financing Sources					
(Uses):					
Transfer in	2,150,520	-	-	257,872	2,408,392
Transfer out	(247,536)	(188,118)	(95,754)	-	(531,408)
Sale of capital assets	99,295	-	-	-	99,295
Total Other Financing Sources (Uses)	2,002,279	(188,118)	(95,754)	257,872	1,976,279
Net Change in Fund Balances	41,506	1,713,779	(214,574)	254,915	1,795,626
Fund Balance, Beginning	2,083,648	16,904,940	4,687,677	2,531,441	26,207,706
Fund Balance, Ending	\$ 2,125,154	\$ 18,618,719	\$ 4,473,103	\$ 2,786,356	\$ 28,003,332

The notes to the financial statements are an integral part of this statement.

CITY OF BOUNTIFUL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 1,795,626
Governmental funds have reported capital outlays, past and present, as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(2,087,997)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net assets.	2,711,073
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net assets.	521,000
In the statement of activities, amortization of premiums and costs of issuing of debt is recorded.	(10,380)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expense is reported when due.	475
The effect of the sale and disposal of capital assets.	(324,190)
The long term portion of accrued leave does not require the use of current financial resources and therefore is not recorded as an expenditure in the Governmental Funds.	(199,497)
The net revenue of certain activities of internal service funds is reported within the governmental activities.	(167,342)
Proceeds from repayment of RDA notes receivable are recorded as revenue in the Governmental Funds. However, the repayment is recorded as a reduction of the loan in the statement of net assets.	(156,207)
Amounts loaned by the RDA are recorded as expenditures in the Governmental Funds. However, the loan is recorded as an asset for the statement of net assets.	640,000
Change in net assets of governmental activities	<u><u>\$ 2,722,561</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF BOUNTIFUL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with final budget - Under (Over)
	Original	Final		
Revenues:				
Taxes	\$ 7,565,397	\$ 7,590,397	\$ 6,646,988	\$ (943,409)
Licenses and permits	547,000	547,000	745,235	198,235
Intergovernmental revenues	1,330,000	1,330,000	1,130,144	(199,856)
Charges for services	1,893,771	1,893,771	1,711,583	(182,188)
Fines and forfeitures	70,000	70,000	85,941	15,941
Interest on investments	140,736	140,736	178,554	37,818
Miscellaneous	70,000	70,000	88,603	18,603
Total Revenues	11,616,904	11,641,904	10,587,048	(1,054,856)
Expenditures:				
Current:				
General government:				
Legislative	513,008	513,008	424,606	88,402
Legal	242,751	242,751	226,428	16,323
Executive	222,001	222,001	216,260	5,741
Information systems	388,390	388,390	377,514	10,876
Administrative	532,010	532,010	509,101	22,909
Treasury	507,524	517,524	501,481	16,043
Government buildings	150,997	150,997	137,564	13,433
Public safety:				
Police	4,580,735	4,595,735	4,357,523	238,212
Fire	1,971,560	1,971,560	1,931,856	39,704
Highways and streets	2,798,308	2,798,308	2,445,684	352,624
Planning and engineering:				
Planning	222,955	222,955	218,786	4,169
Engineering	718,528	718,528	698,887	19,641
Parks	520,601	520,601	491,351	29,250
Capital outlay	-	-	10,780	(10,780)
Total Expenditures	13,369,368	13,394,368	12,547,821	846,547
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,752,464)	(1,752,464)	(1,960,773)	(208,309)
Other Financing Sources (Uses):				
Transfer in	2,000,000	2,000,000	2,150,520	150,520
Transfer out	(247,536)	(247,536)	(247,536)	-
Sale of capital assets	-	-	99,295	99,295
Total Other Financing Sources (Uses)	1,752,464	1,752,464	2,002,279	249,815
Net Change in Fund Balance	\$ -	\$ -	41,506	\$ 41,506
Fund Balance, Beginning			2,083,648	
Fund Balance, Ending			\$ 2,125,154	

The notes to the financial statements are an integral part of this statement.

CITY OF BOUNTIFUL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – REDEVELOPMENT AGENCY SPECIAL
REVENUE FUND

For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with final budget - Under (Over)
	Original	Final		
Revenues:				
Taxes	\$ 532,921	\$ 532,921	\$ 522,536	\$ (10,385)
Intergovernmental revenues	66,166	66,166	76,156	9,990
Interest on investments	76,530	76,530	123,376	46,846
Miscellaneous	155,245	155,245	156,256	1,011
Total Revenues	830,862	830,862	878,324	47,462
Expenditures:				
Current:				
Redevelopment	568,884	568,884	997,144	(428,260)
Capital outlay	261,978	261,978	-	261,978
Total Expenditures	830,862	830,862	997,144	(166,282)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(118,820)	(118,820)
Other Financing Sources (Uses):				
Transfer out	-	-	(95,754)	(95,754)
Total Other Financing Sources (Uses)	-	-	(95,754)	(95,754)
Net Change in Fund Balance	\$ -	\$ -	(214,574)	\$ (214,574)
Fund Balance, Beginning			4,687,677	
Fund Balance, Ending			\$ 4,473,103	

The notes to the financial statements are an integral part of this statement.

CITY OF BOUNTIFUL
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
June 30, 2005

	Business-type Activities – Enterprise Funds					Governmental Activities – Internal Service Funds
	Water	Light and Power	Landfill	Other Enterprise Funds	Total Enterprise	
Assets:						
Current Assets:						
Cash and cash equivalents	\$ 4,750,529	\$ 78,374	\$ 3,747,413	\$ 2,687,687	\$ 11,264,003	\$ 2,464,628
Accounts receivable, net	282,486	2,541,725	44,403	338,741	3,207,355	6,932
Interest receivable	28,168	603	16,924	15,473	61,168	15,018
Investments	4,825,714	78,933	2,928,282	2,727,649	10,560,578	2,483,959
Inventories	208,170	1,664,660	-	75,344	1,948,174	-
Prepaid expenses	57,000	73,166	-	-	130,166	-
Total Current Assets	10,152,067	4,437,461	6,737,022	5,844,894	27,171,444	4,970,537
Noncurrent Assets:						
Restricted cash and cash equivalents	-	-	848,981	-	848,981	453,014
Capital assets, net:						
Land, land rights and water rights	339,567	492,016	43,737	2,253,445	3,128,765	-
Buildings, wells and reservoirs	3,134,058	908,678	-	946,288	4,989,024	-
Improvements other than buildings	-	-	257,460	1,331,722	1,589,182	-
Transmission, distribution and collection systems	7,957,267	10,605,618	-	5,417,080	23,979,965	-
Street light and traffic signal systems	-	1,437,977	-	-	1,437,977	-
Machinery and equipment	558,856	6,422,685	278,214	727,506	7,987,261	-
Furniture and fixtures	9,702	-	3,181	11,330	24,213	-
Construction in progress	-	245,270	20,000	48,271	313,541	-
Notes receivable	-	-	-	182,010	182,010	-
Investments in power projects	-	9,751,554	-	-	9,751,554	-
Total Noncurrent Assets	11,999,450	29,863,798	1,451,573	10,917,652	54,232,473	453,014
Total Assets	\$ 22,151,517	\$ 34,301,259	\$ 8,188,595	\$ 16,762,546	\$ 81,403,917	\$ 5,423,551

The notes to the financial statements are an integral part of this statement.

CITY OF BOUNTIFUL
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS (Continued)
June 30, 2005

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water	Light and Power	Landfill	Other Enterprise Funds	Total Enterprise	
Liabilities:						
Current Liabilities:						
Accounts payable	\$ 214,032	\$ 894,246	\$ 19,427	\$ 189,549	\$ 1,317,254	\$ 101,262
Compensated absences	19,169	61,734	5,696	48,043	134,642	-
Accrued liabilities	28,417	148,002	11,468	138,536	326,423	3,530
Total Current Liabilities	261,618	1,103,982	36,591	376,128	1,778,319	104,792
Noncurrent Liabilities:						
Compensated absences	47,343	199,805	20,309	90,124	357,581	-
Liabilities payable from restricted assets	-	-	848,981	-	848,981	-
Unearned revenue	-	88,695	-	-	88,695	-
Developer and customer deposits	-	283,101	-	-	283,101	-
Total Noncurrent Liabilities	47,343	571,601	869,290	90,124	1,578,358	-
Total Liabilities	308,961	1,675,583	905,881	466,252	3,356,677	104,792
Net Assets:						
Invested in capital assets, net of related debt	11,999,450	20,112,244	602,592	10,735,642	43,449,928	-
Restricted for landfill closure	-	-	-	-	-	453,014
Restricted for insurance deposit	-	-	-	-	-	4,865,745
Unrestricted	9,843,106	12,513,432	6,680,122	5,560,652	34,597,312	-
Total Net Assets	21,842,556	32,625,676	7,282,714	16,296,294	78,047,240	5,318,759
Total Liabilities and Net Assets	\$ 22,151,517	\$ 34,301,259	\$ 8,188,595	\$ 16,762,546	\$ 81,403,917	\$ 5,423,551

The notes to the financial statements are an integral part of this statement.

CITY OF BOUNTIFUL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
ASSETS – PROPRIETARY FUNDS
For The Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Light and Power	Landfill	Other Enterprise Funds	Total Enterprise
Operating Revenues:					
Charges for services	\$ 1,995,762	\$ 20,218,961	\$ 964,807	\$ 1,501,328	\$ 24,680,858
Connection and servicing	-	60,368	-	44,214	104,582
Admissions and lesson fees	-	-	-	1,333,259	1,333,259
Equipment and facility rents	-	35,885	-	542,258	578,143
Concession and merchandise sales	-	-	-	249,963	249,963
Sale of cemetery burial plots	-	-	-	192,142	192,142
Miscellaneous	16,313	58,622	138,225	17,144	230,304
Total Operating Revenues	2,012,075	20,373,836	1,103,032	3,880,308	27,369,251
Operating Expenses:					
Production, collection and source of supplies	157,577	13,754,821	-	513,516	14,425,914
Transmission, distribution and/or maintenance	1,403,078	1,985,622	626,415	2,226,469	6,241,584
Cost of concession and merchandise sales	-	-	-	177,530	177,530
Claims	-	-	-	-	-
General and administrative	500,365	2,097,137	438,569	783,358	3,819,429
Depreciation and amortization	479,563	1,633,972	89,940	891,882	3,095,357
Total Operating Expenses	2,540,583	19,471,552	1,154,924	4,592,755	27,759,814
Operating Income (Loss)	\$ (528,508)	\$ 902,284	\$ (51,892)	\$ (712,447)	\$ (390,563)
					\$ (152,714)

The notes to the financial statements are an integral part of this statement.

CITY OF BOUNTIFUL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
ASSETS – PROPRIETARY FUNDS (Continued)
For The Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water	Light and Power	Landfill	Other Enterprise Funds	Total Enterprise	
Nonoperating Income (Expense):						
Interest income	\$ 226,297	\$ 97,357	\$ 176,026	\$ 124,336	\$ 624,016	\$ 128,797
Interest expense	-	(83,618)	-	-	(83,618)	-
Contributions/Grants	535,946	1,519	-	-	537,465	-
Gain (loss) from sale of capital assets	(15,782)	18,308	17,805	(12,431)	7,900	-
Total Nonoperating Income (Expense)	746,461	33,566	193,831	111,905	1,085,763	128,797
Income (loss) before transfers	217,953	935,850	141,939	(600,542)	695,200	(23,917)
Transfers in	-	-	-	285,536	285,536	-
Transfers out	-	(2,150,520)	-	(12,000)	(2,162,520)	-
Change in Net Assets	217,953	(1,214,670)	141,939	(327,006)	(1,181,784)	(23,917)
Net Assets, Beginning	21,624,603	33,840,346	7,140,775	16,623,300	79,229,024	5,342,676
Net Assets, Ending	\$ 21,842,556	\$ 32,625,676	\$ 7,282,714	\$ 16,296,294	\$ 78,047,240	\$ 5,318,759

The notes to the financial statements are an integral part of this statement.

CITY OF BOUNTIFUL
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For The Year Ended June 30, 2005

	Business-type Activities – Enterprise Funds					Governmental Activities - Internal Service Funds
	Water	Light and Power	Landfill	Other Enterprise Funds	Total Enterprise	
Cash Flows From Operating Activities:						
Receipts from customers and users	\$ 2,062,977	\$ 20,452,727	\$ 1,096,936	\$ 3,862,461	\$ 27,475,101	\$ 523,991
Payments to suppliers	(1,283,499)	(15,928,205)	(487,817)	(1,564,300)	(19,263,821)	(564,875)
Payments to employees and related benefits	(799,156)	(2,868,275)	(272,030)	(2,063,267)	(6,002,728)	(118,739)
Net cash flows from operating activities	(19,678)	1,656,247	337,089	234,894	2,208,552	(159,623)
Cash Flows From Non-Capital Financing Activities:						
Transfers in	-	-	-	285,536	285,536	-
Transfers out	-	(2,150,520)	-	(12,000)	(2,162,520)	-
Interest Paid	-	(83,618)	-	-	(83,618)	-
Grants and contributions received	535,946	1,519	-	-	537,465	-
Payment of note receivable	-	-	-	13,000	13,000	-
Net cash flows from non-capital financing activities	535,946	(2,232,619)	-	286,536	(1,410,137)	-
Cash Flows From Capital and Related Financing Activities:						
Purchase of capital assets	(679,764)	(236,513)	(140,000)	(356,163)	(1,412,440)	-
Proceeds from sales of capital assets	146,702	18,308	17,805	1,080	183,895	-
Net cash flows from capital and related financing activities	\$ (533,062)	\$ (218,205)	\$ (122,195)	\$ (355,083)	\$ (1,228,545)	\$ -

The notes to the financial statements are an integral part of this statement.

CITY OF BOUNTIFUL
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (Continued)
For The Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Light and Power	Landfill	Other Enterprise Funds	Total Enterprise
Cash Flows From Investing Activities:					
Interest on investments	\$ 207,170	\$ 97,981	\$ 164,124	\$ 113,454	\$ 582,729
Purchase of investments	(3,984,065)	(65,167)	(2,417,563)	(2,251,919)	(8,718,714)
Sale of investments	2,595,013	298,698	1,493,572	1,404,034	5,791,317
Net cash flows from investing activities	(1,181,882)	331,512	(759,867)	(734,431)	(2,344,668)
Net Increase (Decrease) In Cash and Cash Equivalents	(1,198,676)	(463,065)	(544,973)	(568,084)	(2,774,798)
Cash and Cash Equivalents, Beginning	5,949,205	541,439	5,141,367	3,255,771	14,887,782
Cash and Cash Equivalents, Ending	\$ 4,750,529	\$ 78,374	\$ 4,596,394	\$ 2,687,687	\$ 12,112,984
					\$ 2,917,642

The notes to the financial statements are an integral part of this statement.

CITY OF BOUNTIFUL
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (Continued)
For The Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water	Light and Power	Landfill	Other Enterprise Funds	Totals	
Reconciliation of operating income to net cash flows from operating activities:						
Earnings (loss) from operations	\$ (528,508)	\$ 902,284	\$ (51,892)	\$ (712,447)	\$ (390,563)	\$ (152,714)
Adjustments to reconcile earnings (loss) to net cash flows from operating activities:						
Depreciation	479,563	1,633,972	89,940	891,882	3,095,357	-
Changes in assets and liabilities						
Accounts receivable, net	50,902	94,722	(6,096)	(17,847)	121,681	165
Inventories	(28)	(280,355)	-	672	(279,711)	-
Prepaid expenses	(5,000)	-	-	-	(5,000)	-
Accounts payable	(39,216)	(736,181)	205	44,210	(730,982)	(7,122)
Compensated absences	24,519	39,405	11,093	13,504	88,521	-
Accrued liabilities	(1,910)	18,231	293,839	14,920	325,080	48
Customer deposits	-	109,330	-	-	109,330	-
Unearned revenue	-	(125,161)	-	-	(125,161)	-
Net cash flows from operating activities:	\$ (19,678)	\$ 1,656,247	\$ 337,089	\$ 234,894	\$ 2,208,552	\$ (159,623)

The notes to the financial statements are an integral part of this statement.

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CITY OF BOUNTIFUL NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bountiful (the City) was incorporated under the laws of the Territory of Utah in 1892 and operates under a manager form of government and provides services as authorized by its charter.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the City are discussed below.

(A) The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB Statement No. 14, *"The Financial Reporting Entity"*. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations.

Blended Component Units

The Bountiful City Redevelopment Agency (RDA) serves all the citizens of the City and is governed by a board comprised of the members of the City Council. In conformity with accounting principles generally accepted in the United States of America, the financial statements of the RDA have been included in the financial reporting entity as a blended component unit. Separate RDA reports can be obtained at 790 South 100 East, Bountiful, Utah 84010.

The Bountiful City Municipal Building Authority (MBA) was created to design, construct and finance the cost of new buildings. The MBA is governed by a board comprised of the members of the City Council. In conformity with accounting principles generally accepted in the United States of America, the financial statements of the MBA have been included in the financial reporting entity as a blended component unit.

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general governmental services, public safety, highways and streets, planning and engineering, parks, and redevelopment are classified as governmental activities. The City's water, light and power, landfill, storm water, golf course, recreation, sanitation, and cemetery services are classified as business-type activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they became available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than expenditures in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (generally within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of the major capital facilities of the government (other than those financed by Proprietary Funds and Special Revenue Funds).

Special revenue funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and special revenue funds are identical. The City accounts for the Bountiful City Redevelopment Agency as a special revenue fund.

The City reports the following major proprietary funds:

The Water Fund accounts for the activities of the City's water distribution system.

The Light and Power Fund accounts for the activities of the City's electric power distribution system.

The Landfill Fund accounts for the activities of the City's landfill.

Additionally, the City reports the following fund types:

The Debt Service Fund is used to account for resources that will be used to service general long-term debt.

Special revenue funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and special revenue funds are identical. The City accounts for the Municipal Building Authority and the Landfill Closure Fund in special revenue funds.

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting city's programs. The City accounts for the Cemetery Perpetual Care Fund in a permanent fund.

Internal service funds are used to account for the central financing of goods or services provided by an internal service fund to various departments of the City on a cost-reimbursement basis. The City currently has two internal service funds. The Workers' Compensation Self-Insurance Fund and the Governmental Immunity Fund account for the City's self-insurance program.

Storm Water and Sanitation Funds account for the provision of these services to the residents of the City. These funds are accounted for as enterprise funds.

Golf Course and Recreation Funds account for the provision of recreation services and facilities for the residents of the City and surrounding area. These funds are accounted for as enterprise funds.

Cemetery Fund accounts for the provision of cemetery services. This fund is accounted for as an enterprise fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the City's internal service funds are charges to customers to the system. Operating expenses for enterprise funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The City records utility revenues billed to its customers when meters are read on a monthly basis. Unbilled service accounts receivable have been estimated at June 30, 2005, and are recorded as revenue.

Inventories of materials used in the construction and repair of the transmission, distribution, and collection systems are valued at the lower of cost or market on a weighted average basis. Supplies inventories, consisting principally of fuel oil, are valued at the lower of cost or market on a first-in, first-out basis.

CITY OF BOUNTIFUL

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, curb and gutter, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of fixed assets is computed using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Buildings, wells and reservoirs	20-33
Improvements other than buildings	20
Transmission, distribution, and collection systems	15-50
Machinery and equipment	3-50
Furniture and fixtures	3-20
Infrastructure	50

The City has estimated the historical cost of certain assets, namely the storm water system of the Storm Water Utility Fund, the water mains of the Water Fund, and the transmission and distribution systems and a portion of the plant machinery and equipment of the Light and Power Fund. The City estimated the historical cost of these systems using data obtained from an inventory of the systems, combined with known costs and estimated replacement costs deflated using the Consumer Price Index. The portion of the storm water system cost which was estimated amounted to approximately \$13.4 million. The total estimated historical cost for water mains was approximately \$11.48 million. With respect to the Light and Power Fund, the estimated historical cost of the transmission and distribution system and the plant machinery and equipment was approximately \$32 million and \$7 million, respectively.

(D) Budgets

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City Council on or before June 22 for the following fiscal year, beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations.

Budgets include activities in several different funds, including the General Fund, special revenue funds, Debt Service Fund, and proprietary funds. Annual budgets are also adopted for capital projects which may include activities which overlap several fiscal years. The level of the City's budgetary control (that is, the level at which the City's expenditures cannot legally exceed the appropriated amounts) is established at the department level. Each department head is responsible to the Mayor and City Council for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance until it exceeds 5% of the General Fund revenues. Until the unreserved fund balance is greater than the above amount, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. When an unreserved fund balance is

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(D) Budgets (Continued)

greater than 18% of the next year's budgeted revenues, the excess must be appropriated within the following two years.

The City Council can amend the budget to any extent, provided the amended budget does not exceed the original budgeted expenditures/expenses, in which case a public hearing must be held. With the consent of the city manager, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year.

Budgets for the General Fund, special revenue funds, Debt Service Fund, permanent fund and Capital Projects Fund are prepared on the modified accrual basis of accounting. Encumbrance accounting is not used by the City.

Expenditures in the Capital Projects Fund are budgeted annually on a project-by-project basis. Although it is the intention of the City that each project be funded by a specific revenue source, the adopted budget reflects only total anticipated revenues by source. Since it is neither practicable, nor appropriate to separate revenues and fund balance on a project-by-project basis, the Capital Projects Fund is reported as an individual fund in the accompanying financial statements.

(E) Taxes

On or before June 22 of each year, the City sets the property tax rate for various municipal purposes. If the City intends to increase property tax revenues above the tax rate of the previous year, state law requires the City to provide public notice to property owners and hold public hearings. When these special public hearings are necessary, the adoption of the final budget is made subsequent to June 22. All property taxes levied by the City are assessed and collected by Davis County. Taxes are attached as an enforceable lien as of January 1, are levied as of October 1, and are due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property, and the amount of taxes and penalties bears interest from January 1 until paid. If after five years, delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the City from the County on a monthly basis.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly.

Franchise taxes are collected by natural gas, electric utilities, and cable television companies and remitted to the City periodically.

(F) Cash and cash equivalents

The City considers all cash and investments with original maturities of three months or less to be cash and cash equivalents. For the purpose of the statement of cash flows, cash and cash equivalents are defined as the cash and cash equivalent accounts and the restricted cash and cash equivalents accounts.

(G) Long-Term Obligations

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt.

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(G) Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(H) Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a bi-weekly basis and is fully vested when earned. Accumulated vacation cannot exceed 240 hours at the end of any calendar year and any vacation in excess of this amount is forfeited. At retirement, death, or termination, all unpaid accrued vacation, up to 240 hours, is paid to the employee or his or her beneficiary. Accumulated sick leave is earned at a rate of eight hours per month. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate sick leave without limitation. Accumulated sick leave paid to employees upon retirement is limited to 20% of accumulated hours or 288 hours, whichever is less. The amount of accumulated leave is accrued when incurred in the government-wide, proprietary fund financial statements. Employees that are terminated for reasons other than retirement are not paid for accumulated sick leave. A liability for these amounts is reported in governmental funds only if they have matured.

(I) Fund equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

(J) Interfund transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain enterprise funds, to construct assets, to distribute grant proceeds, etc. These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

(K) Estimates and assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits including the portion of the Utah State Treasurer's involvement pool that is considered as a demand deposit. Investments are stated at fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents" and "investments" which also includes cash accounts that are separately held by several of the City's funds.

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS (Continued)

Investment policy – The City's investment policies are governed by Utah State statutes. City funds are invested only in the following: (1) negotiable or nonnegotiable deposits of qualified depositories (See definition of qualified depository under "Deposits" below); (2) repurchase agreements with qualified depositories or primary reporting dealers, acting as principal for securities of the United States Treasury or other authorized investments, only if these securities are delivered to the custody of the City Treasurer or the City's safekeeping bank or are conducted with a qualified depository; (3) commercial paper which is rated P-1 by Moody's Investor Services or A-1 by Standard and Poor's, Inc., having a remaining term to maturity of 270 days or less; (4) bankers' acceptances that are eligible for discount at a federal reserve bank and which have a remaining term to maturity of 270 days or less; (5) negotiable interest bearing deposits of \$100,000 or more which have a remaining term to maturity of 365 days or less; (6) obligations of the United States Treasury including United States Treasury Bills, United States Treasury Notes, and United States Treasury Bonds; (7) obligations issued or fully guaranteed as to principal and interest by the following agencies or instrumentalities of the United States in which a market is made by a primary reporting government securities dealer: Federal Home Loan Bank, Federal Farm Credit Bank, Federal National Mortgage Association, Federal Agricultural Mortgage Corporation, Federal Home Loan Mortgage Corporation, Tennessee Valley Authority, or Student Loan Marketing Association; (8) the Utah State Treasurer's Investment Fund; and (9) fixed and variable rate corporate obligations that meet criteria under the Utah Money Management Act.

The City did not enter into any reverse repurchase agreements during the year.

Deposits – Utah State law requires that City funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

Investments – The City Treasurer takes physical delivery of securities or may use a qualified depository bank for safekeeping securities or maintain an account with a money center bank for the purpose of settling investment transactions, safekeeping and collecting those investments. Repurchase agreements with qualified depositories are supported by a safekeeping receipt issued by a qualified depository; otherwise, the securities are in the custody of the City Treasurer or the City's safekeeping bank or trust company. Investments in the State Treasurer's Investment Pool are supported by deposit receipts issued by the State Treasurer's Office.

CITY OF BOUNTIFUL

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2005, the City had the following deposits and investments:

	Carrying Amount	Fair Value	Credit Rating (1)	Weighted Average Maturity (Years) (2)
Cash on hand and on deposit:				
Cash on hand	\$ 3,855	\$ 3,855	N/A	N/A
Cash on deposit	889,644	1,248,847	N/A	N/A
Utah State Treasurer's investment pool accounts	24,750,894	24,754,706	N/A	N/A
Total cash on hand and deposit	\$ 25,644,393	\$ 26,007,408		
Investments				
Certificates of Deposit	\$ 4,981,099	\$ 4,973,579	N/A	0.48
Utah State Treasurer's investment pool accounts	2,379,590	2,379,956	N/A	N/A
Corporate Bond	1,000,000	1,004,500	A	0.13
U.S. Treasuries	20,011,628	19,842,600	AAA	1.11
Bond Reserves	1,693,500	1,693,500	N/A	N/A
Total Investments	\$ 30,065,817	\$ 29,894,135		
Portfolio weighted average maturity				0.95

- (1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.
- (2) Interest Rate Risk is estimated using the weighted average days to maturity.

The City's cash and cash equivalents and investments are exposed to certain risks as outlined below:

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing in short term investments. The City's weighted average maturity for investments is less than one year. The City does not make investments with maturity dates longer than planned expenditures.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City follows the State statutes for investments and only invests in investments that are rated A, AA or AAA by Standard & Poor's or comparable ratings from other investor services, such as Moody's. The City also invests in the Utah Public Treasurer's Investment Fund and other bank certificates of deposit. As of June 30, 2005, the Utah Public Treasurer's Investment Fund was unrated.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investments are in the Utah Public Treasurer's Investment Fund, U.S. Treasuries, and qualified financial institutions. The City's investments have no concentration of credit risk.

Custodial credit risk – deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005, \$1,065,552 of the City's \$1,248,847 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2005, \$5,681,099 of the City's \$54,648,841 in investments was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS (Continued)

Investments (Continued)

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash and cash equivalents and investments	\$ 51,447,983
Restricted cash and cash equivalents and investments	<u>4,262,227</u>
Total cash and investments	<u>\$ 55,710,210</u>

NOTE 3 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts receivable at June 30, 2005 for all funds is \$90,000.

NOTE 4 RESTRICTED ASSETS

Certain assets are restricted to use as follows as of June 30, 2005:

Restricted for insurance deposit	\$ 453,014
Restricted for employee flex plan	8,743
Restricted for funds received from other municipalities and held in trust for closure of the sanitary landfill	666,698
Restricted for landfill closure, post-closure and corrective actions	848,981
Restricted for bond payments	1,111,749
Restricted revenue for future construction	128,737
Restricted for cemetery perpetual care	<u>1,044,305</u>
Total	<u>\$ 4,262,227</u>

NOTE 5 REAL ESTATE INVENTORY HELD FOR RESALE

Real estate inventory held for resale in the enterprise funds represents cemetery plots held for sale by the Cemetery Fund. Real estate inventory in the special revenue fund represents land purchased and held for resale by the Redevelopment Agency.

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2005, is as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 45,993,863	\$ 189,356	\$ -	\$ 46,183,219
Construction in progress	8,449,480	111,546	8,429,113	131,913
Total capital assets, not being depreciated	54,443,343	300,902	8,429,113	46,315,132
Capital assets, being depreciated:				
Infrastructure	25,898,739	1,192,618	216,297	26,875,060
Buildings	13,680,189	8,004,159	537,172	21,147,176
Improvements other than buildings	3,576,724	983,475	65,822	4,494,377
Machinery and equipment	7,134,583	532,567	583,651	7,083,499
Furniture and fixtures	1,471,946	126,465	650	1,597,761
Total capital assets, being depreciated	51,762,181	10,839,284	1,403,592	61,197,873
Less accumulated depreciation for:				
Infrastructure	12,224,233	448,298		12,672,531
Buildings	6,696,395	712,886	475,309	6,933,972
Improvements other than buildings	1,704,354	170,367	31,211	1,843,510
Machinery and equipment	5,442,983	592,688	572,882	5,462,789
Furniture and fixtures	701,444	163,758		865,202
Total accumulated depreciation	26,769,409	2,087,997	1,079,402	27,778,004
Total capital assets, being depreciated, net	24,992,772	8,751,287	324,190	33,419,869
Governmental activities capital assets, net	<u>\$ 79,436,115</u>	<u>\$ 11,140,186</u>	<u>\$ 9,832,705</u>	<u>\$ 79,735,001</u>

Depreciation expense was charged to functions/programs of the primary governmental activities as follows:

Governmental activities:	
General government	\$ 265,111
Public safety	820,563
Highways and public improvements	815,654
Parks and recreation	156,815
Redevelopment Agency	11,811
Planning & engineering	18,043
Total depreciation expense - governmental activities	<u>\$ 2,087,997</u>

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 CAPITAL ASSETS (Continued)

The Enterprise Funds' property, plant and equipment consist of the following at June 30, 2005:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Business-type Activities:				
Capital assets, not being depreciated:				
Land, land rights, and water rights	\$ 2,403,436	\$ 835,176	\$ 109,847	\$ 3,128,765
Construction in progress	493,246	88,142	267,847	313,541
Total capital assets, not being depreciated	2,896,682	923,318	377,694	3,442,306
Capital assets, being depreciated:				
Buildings, wells and reservoirs	12,458,145	21,933	123	12,479,955
Improvements other than buildings	3,332,577	-	879,534	2,453,043
Transmission, distribution and collection systems	56,680,563	929,319	79,226	57,530,656
Street light and traffic systems	2,860,476	-	-	2,860,476
Machinery and equipment	20,483,578	628,966	270,509	20,842,035
Furniture and fixtures	32,386	11,926	-	44,312
Total capital assets, being depreciated	95,847,725	1,592,144	1,229,392	96,210,477
Less accumulated depreciation for:				
Buildings, wells and reservoirs	7,152,803	338,128	-	7,490,931
Improvements other than buildings	784,216	110,492	30,847	863,861
Transmission, distribution and collection systems	31,970,592	1,619,313	39,214	33,550,691
Street light and traffic systems	1,327,770	94,729	-	1,422,499
Machinery and equipment	12,185,928	926,853	258,007	12,854,774
Furniture and fixtures	14,257	5,842	-	20,099
Total accumulated depreciation	53,435,566	3,095,357	328,068	56,202,855
Total capital assets, being depreciated, net	42,412,159	(1,503,213)	901,324	40,007,622
Business-type activities capital assets, net	\$ 45,308,841	\$ (579,895)	\$ 1,279,018	\$ 43,449,928

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type Activities:	
Water	\$ 479,563
Light and Power	1,633,972
Landfill	89,940
Storm Water	471,314
Golf Course	165,698
Recreation	115,079
Sanitation	120,670
Cemetery	19,121
	<u>19,121</u>
Total depreciation expense - business-type activities	<u>\$ 3,095,357</u>

NOTE 7 NOTES RECEIVABLE

The Redevelopment Agency has made low cost building rehabilitation loans to businesses in the City. The Agency holds six notes receivable. The terms of those notes are as follows:

Balance	Interest	Monthly Payments		Balloon Payments	
June 30, 2005	Rate	Amount	Due Through	Amount	Due
\$ 54,334	3.00%	\$ 579	April 2009	\$ 32,740	May 2009
373,959	3.50%	4,000	June 2009	224,299	July 2009
327,232	3.00%	3,380	August 2009	190,986	September 2009
38,136	3.00%	393	September 2009	22,258	October 2009
88,062	4.75%	1,756	January 2010	-	
248,211	3.00%	2,414	April 2010	136,419	May 2010
<u>\$ 1,129,934</u>		<u>\$ 12,522</u>		<u>\$ 606,702</u>	

The City issued special assessment debt to provide funds for the construction of improvements to the area surrounding the Renaissance Towne Center. These bonds will be repaid from amounts levied against the property owners benefited by this construction. The City has established a receivable of \$2,586,805 for the amounts levied.

NOTE 8 DEVELOPER AND CUSTOMER DEPOSITS

General Fund deposits are principally deposits from developers that are held by the City until building projects receive the required City inspections and are in compliance with all City ordinances.

Enterprise fund deposits are customer deposits the City requires from some customers with a poor payment history and from businesses before they receive a utility connection. The deposit is returnable when the residence is vacated by the renter or when the business has established a history of meeting its obligations to the City.

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2005:

	Long-term debt payable at July 1, 2004	Additions	Reductions	Long-term debt payable at June 30, 2005	Due within One Year
Governmental activities:					
Lease revenue bonds	\$ 6,507,000	\$ -	\$ 373,000	\$ 6,134,000	\$ 479,000
Special assessment bonds	2,640,000	-	148,000	2,492,000	152,000
Compensated absences	532,047	648,042	448,545	731,544	-
Deferred amounts:					
Plus unamortized premium	89,461	-	3,578	85,883	-
Less cost of debt issuance	(260,106)	-	(13,958)	(246,148)	-
Governmental activity long-term liabilities	<u>\$ 9,508,402</u>	<u>\$ 648,042</u>	<u>\$ 959,165</u>	<u>\$ 9,197,279</u>	<u>\$ 631,000</u>
Business-type activities:					
Compensated absences	\$ 435,037	\$ 317,742	\$ 260,556	\$ 492,223	\$ 134,642
Business-type activity long-term liabilities	<u>\$ 435,037</u>	<u>\$ 317,742</u>	<u>\$ 260,556</u>	<u>\$ 492,223</u>	<u>\$ 134,642</u>

The liability for compensated absences is typically liquidated by the General Fund and all Enterprise Funds.

Amortization to maturity for each of the bond issues is provided in the following section. The amortization of compensated absences has not been included due to the uncertainty of the amounts and timing of payments.

Municipal Building Authority Lease Revenue Bonds Series 1996

The Municipal Building Authority Lease Revenue Bonds Series 1996 were issued June 1, 1996 by the Municipal Building Authority to construct a Police/Judicial Court Facility next to City Hall. The \$3,685,000 lease revenue bonds are due in semi-annual principal installments of \$96,000 to \$163,000 through March 1, 2015, plus interest at 4.6% to 5.9%, payable semi-annually. The Municipal Building Authority will lease the building to the City, which will in turn sublease portions of the building to the State of Utah. Rental income from the sublease will service the required bond payments. The bonds are subject to an optional redemption in whole or in part after March 1, 2001. In the event the State exercises the redemption option contained in the sublease agreement, the redemption option price will be equivalent to 100% of the principal amount to be redeemed and accrued interest at the date the option is exercised.

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 LONG-TERM DEBT (Continued)

The annual debt service requirements to maturity, including principal and interest, for the Series 1996 Lease Revenue Bonds, as of June 30, 2005, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 194,000	\$ 116,254	\$ 310,254
2007	205,000	105,317	310,317
2008	217,000	95,749	312,749
2009	230,000	85,629	315,629
2010	243,000	74,888	317,888
2011-2015	1,445,000	190,440	1,635,440
	<u>\$ 2,534,000</u>	<u>\$ 668,277</u>	<u>\$ 3,202,277</u>

Municipal Building Authority Lease Revenue Bonds Series 2003

The Municipal Building Authority Lease Revenue Bonds Series 2003 were issued June 5, 2003 by the Municipal Building Authority (Authority) to finance the design and construction of a public parking structure. The \$3,790,000 lease revenue bonds, due in annual principal installments of \$285,000 to \$385,000 through June 1, 2016, plus interest at 2.5% to 5.0%, payable semi-annually. The parking structure consists of three stories having approximately 480 parking stalls and will be leased by the Authority to the City under an annually renewable Master Lease Agreement dated May 1, 2003. The City will utilize the parking structure to provide public parking for the Renaissance Towne Centre. The City anticipates making its lease payment from, among other available sources, tax increment generated from the development of the Renaissance Towne Centre pursuant to an agreement between the City and the Redevelopment Agency of Bountiful City dated December 16, 2002.

The annual debt service requirements to maturity, including principal and interest for the Series 2003 Lease Revenue Bonds, as of June 30, 2005, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 285,000	\$ 129,837	\$ 414,837
2007	290,000	122,712	412,712
2008	300,000	115,463	415,463
2009	300,000	106,462	406,462
2010	310,000	97,463	407,463
2011-2015	1,730,000	316,800	2,046,800
2016	385,000	19,250	404,250
	<u>3,600,000</u>	<u>\$ 907,987</u>	<u>\$ 4,507,987</u>
Plus unamortized premium	85,883		
Less cost of debt issuance	(141,165)		
Total	<u>\$ 3,544,718</u>		

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 LONG-TERM DEBT (Continued)

Special Assessment Bonds Series 2003

The Special Assessment Bonds Series 2003 were issued June 5, 2003 by the City to finance the construction of various road, water, wastewater, sewer, lighting, and public parking improvements benefiting several properties connected to the development of the Renaissance Towne Centre. The \$2,710,000 special assessment bonds are due in annual principal installments of \$152,000 to \$249,000 through June 1, 2018, plus interest at 2.9% to 5.7%, payable annually. These bonds will be repaid from special assessments levied against the benefited property owners.

The annual debt service requirements to maturity, including principal and interest for the Special Assessment Bonds Series 2003 as of June 30, 2005, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 152,000	\$ 111,463	\$ 263,463
2007	156,000	107,131	263,131
2008	161,000	102,171	263,171
2009	166,000	96,648	262,648
2010	172,000	90,589	262,589
2011-2015	976,000	338,925	1,314,925
2016-2018	709,000	80,038	789,038
	2,492,000	<u>\$ 926,965</u>	<u>\$ 3,418,965</u>
Less cost of debt issuance	<u>(104,983)</u>		
Total	<u>\$ 2,387,017</u>		

NOTE 10 UNEARNED PROPERTY TAXES

In conjunction with the implementation of GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" the City has accrued a property tax receivable and an unearned property tax revenue in the General Fund and Redevelopment Agency in the amounts of \$1,845,929 and \$900,000, respectively.

Property taxes recorded in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1, and then are due and payable at November 30. Since the property tax to be levied on October 1, 2005 is not expected to be received within 60 days after the year ended June 30, 2005, the City is required to record a receivable and unearned revenue of the estimated amount of the total property tax to be levied on October 1, 2005.

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 DESIGNATED FUND EQUITY

Unreserved fund balances which have designated purposes at June 30, 2005 are as follows:

	General Fund	Redevelopment Agency	Capital Projects	Total
City beautification	\$ 369	\$ -	\$ -	\$ 369
Computer replacement	36,155	-	-	36,155
Redevelopment projects	-	4,473,103	-	4,473,103
Construction projects	-	-	18,321,800	18,321,800
	<u>\$ 36,524</u>	<u>\$ 4,473,103</u>	<u>\$ 18,321,800</u>	<u>\$ 22,831,427</u>

NOTE 12 RISK MANAGEMENT

The City is self-insured for general liability claims. The Governmental Immunity Fund (an internal service fund) has been established to pay liability claims along with certain City Attorney expenses. The City has an all risk property insurance policy that includes: (1) buildings and content to a policy limit of \$84,059,993 with a \$2,500 deductible, (2) contractors equipment to a policy limit of \$320,000 with a \$2,500 deductible, (3) computer equipment to a policy limit of \$527,618 with a \$2,500 deductible, (4) \$10,000,000 in earthquake coverage with a 5% minimum \$100,000 deductible, (5) \$10,000,000 in flood coverage for facilities that are located outside the standard report zone with a \$100,000 deductible, and (6) boiler and machine coverage to a policy limit of \$25,000,000 with a \$10,000 deductible. The Treasurer is covered under a \$1,500,000 bond with no deductible. The City also has: (1) public employee dishonesty insurance (an employee blanket bond) with a \$100,000 limit per occurrence and a \$1,000 deductible, and (2) municipal excess liability coverage including general liability, auto liability, public officials errors and omissions and law enforcement to a limit of \$5,000,000 with a \$250,000 deductible for auto and general liability and \$100,000 deductible for law enforcement and errors and omissions. The City also has excess workers' compensation insurance with statutory limits and \$300,000 self-insurance retention. The City is self-insured for property loss above the limits and below the deductibles. The operating departments of the General Fund or proprietary funds assume the financial responsibility for risk retained by the City for property damage. There has been no significant change in insurance coverage during the year ended June 30, 2005, nor during the past four fiscal years has the amount of settlements exceeded insurance coverage.

A summary of changes in general liability claims for the years ended June 30, 2005 and 2004, are as follows:

	General Liability Claims
Balance, July 1, 2003	\$ 11,762
Additions	216,292
Deletions	<u>(186,088)</u>
Balance, June 30, 2004	41,966
Additions	59,814
Deletions	<u>(82,541)</u>
Balance, June 30, 2005	<u>\$ 19,239</u>

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 RISK MANAGEMENT (Continued)

The City also has a risk management program for workers' compensation. Premiums are paid to the Workers' Compensation Self-Insurance Fund (an internal service fund) and are available to pay these claims along with certain administrative expenses.

A summary of changes in workers' compensation claims for the years ended June 30, 2005 and 2004, are as follows:

	Workers' Compensation Claims
Balance, July 1, 2003	\$ 23,423
Additions	109,888
Deletions	<u>(67,593)</u>
Balance, June 30, 2004	65,718
Additions	124,157
Deletions	<u>(121,394)</u>
Balance, June 30, 2005	<u><u>\$ 68,481</u></u>

City management believes that possible claims where the loss cannot be reasonably estimated (claims incurred but not reported) are immaterial to the financial statements of the City.

The general liability and workers' compensation claims are included in accounts payable of the Internal Service Funds.

NOTE 13 RETIREMENT PLAN

Cost Sharing Defined Benefits Pension Plans

Plan description: The City contributes to the Local Governmental Contributory Retirement System, the Local Governmental Noncontributory Retirement System, the Firefighters Retirement System, cost-sharing multiple-employer defined benefit pension plans. These plans are administered by the Utah Retirement Systems (the Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated, 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (the Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, the Local Governmental Noncontributory Retirement System, and the Firefighters Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 RETIREMENT PLAN (Continued)

Cost Sharing Defined Benefits Pension Plans (Continued)

Funding policy: Plan members in the Local Governmental Contributory Retirement System are required to contribute 6% of their annual covered salary (all of which is paid by the City), and the City is required to contribute 7.08% of their annual covered salary. In the Local Governmental Noncontributory Retirement System, the City is required to contribute 11.09% of members' annual covered salary. In the Firefighters Retirement System, members do not contribute, and the City is required to contribute 8.61% of the members' annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City contributions to the Local Governmental Contributory Retirement System for the years ended June 30, 2005, 2004, and 2003, were \$23,187, \$19,304, and \$17,206 respectively; for the Noncontributory Retirement System, the contributions for the years ended June 30, 2005, 2004, and 2003, were \$710,663, \$575,764, and \$493,224 respectively; and for the Firefighters Retirement System, the contributions for the years ended June 30, 2005, 2004, and 2003, were \$39,136, \$63,593, and \$59,119 respectively. The contributions were equal to the required contributions for each year.

Agent Multiple Employer Defined Benefit Pension Plan

Plan description: The City contributes to a Public Safety defined benefit pension plan, for public safety employees, which provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes. Bountiful City is affiliated with the Utah Retirement Systems Public Safety Retirement System, an agent multiple-employer and cost sharing multiple-employer pension plan administered by the Utah Retirement Systems (Systems). The Utah State Retirement Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Bountiful City Public Safety Retirement System. A copy of the report may be obtained by writing to the Utah Retirement System, 540 E 200 S, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy: The City is required to contribute 19.68% of members' annual covered salary in the Noncontributory Division. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Annual pension cost: For 2005, the City's Public Safety annual pension cost of \$324,173 was equal to the City's required and actual contributions. The required contribution was determined as part of the January 1, 2004 actuarial valuation using the entry age normal cost method. The actuarial assumptions include (a) 8% investment rate of return (net of administrative expenses), (b) assumed projected salary increases of 4.50% (3.50% from inflation, 1.00% from membership growth), and (c) 2.5% cost of living adjustment. Both (a) and (b) include an inflation component of 3.50%. The actuarial value of the City's Public Safety assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a 5-year period. Bountiful City Public Safety unfunded actuarial accrued liability is being amortized over an open twenty-year amortization period. Amortization payments are designed to remain level as a percent of payroll.

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 RETIREMENT PLAN (Continued)

Agent Multiple Employer Defined Benefit Pension Plan (Continued)

The following illustrates the three year trend analysis of employer contributions for Bountiful City Public Safety:

Year Ended	Annual Pension Cost (APC)	Percentage APC Contribution	Net Pension Obligation
June 30, 2005	\$ 324,173	100%	\$ -
June 30, 2004	301,564	100%	-
June 30, 2003	287,124	100%	-

The following illustrates the funding progress for Bountiful City Public Safety:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability	Funding Ratio	Covered Payroll	Unfunded Liability as % of Covered Payroll
December 31, 2004	\$ 12,384,000	\$ 12,685,000	\$ 301,000	98%	\$ 1,621,000	19%
January 1, 2004	11,809,000	11,640,000	(169,000)	102%	1,653,000	(10%)
January 1, 2003	10,958,000	11,170,000	212,000	98%	1,601,000	13%

NOTE 14 DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

401(k) defined contribution plans

The City sponsors a defined contribution deferred compensation plan administered by ICMA Retirement Corporation and Western Reserve Life Assurance Company of Ohio under Internal Revenue Code Section 401(k) for City employees covered by the State's contributory and noncontributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City's total payroll in the fiscal year ended June 30, 2005 was \$10,815,045. Of that amount, \$8,687,180 was eligible to participate in the plan. The City participates at rates between 1.62% and 3.61%, depending on the state retirement rate. The rate of City participation can be changed by the City Council. During the year ended June 30, 2005, contributions totaling \$297,844 were made to the plan by employees and \$250,955 by the City.

The City also sponsors a defined contribution deferred compensation plan administered by the Utah Retirement Systems (the Systems) under Internal Revenue Code Section 401(k). The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. Contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City's total payroll in the fiscal year ended June 30, 2005 was \$10,815,045. Of that amount, \$8,687,180 was eligible to participate in this plan. The City participated at a rate of 19.68%. The rate of City participation can be changed by the City Council. During the year ended June 30, 2005, contributions totaling \$84,498 were made to this plan by employees and \$17,288 by the City.

CITY OF BOUNTIFUL

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS (Continued)

457 deferred compensation plans

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457, administered by the Systems and ICMA Retirement Corporation. The plans, available to all permanent full-time City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to the City or its general creditors. In the City's opinion, the plan does not meet the fiduciary requirements and therefore has not been included in an agency fund, in accordance with GASB Statement No. 32, and is currently held in trust by the City's administrators, the Utah Retirement Systems and ICMA Retirement Corporation.

NOTE 15 POST-RETIREMENT HEALTH CARE BENEFITS

In addition to providing pension benefits through the Systems, the City provides certain health care benefits, as permitted under City ordinance No. 90-6, for retired City employees until the age of 65. All of the City's permanent full-time employees may become eligible for the benefits at the time of retirement if they have 30 years of employment and are at least 55 years old or have 25 years of employment and are at least 60 years old. The City pays the cost of the premiums for single coverage on a pay-as-you-go basis. For the year ended June 30, 2005, the City had thirteen participants eligible to receive benefits and such costs totaled \$65,604. The cost of retirement health care benefits is recognized as an expenditure as premiums are paid.

NOTE 16 LEASES

In 1989, the City entered into a 30-year capital lease agreement with a local business whereby the City leased land held by the City Cemetery Fund to the business. The City has accounted for the land lease using the installment method. The lease agreement has a zero percent implied interest rate. Upon completion of the lease terms ownership of the land may transfer to the business under a bargain purchase option. The note receivable related to the land lease had a balance of \$182,010 as of June 30, 2005.

The future maturities of the note receivable related to the land lease are as follows:

2006	\$ 13,000
2007	13,000
2008	13,000
2009	13,000
2010	13,000
2011-2015	65,000
2016-2019	52,010
	<hr/>
Total payments to be received	<u>\$ 182,010</u>

In June 1996, the City entered into an operating lease agreement with the State of Utah whereby the State's Judicial Court will lease portions of the City's Public Safety building. The rental income from this lease will service the City's Lease Revenue Bond payments. The lease is renewable each year at the option of the City through March 2015.

CITY OF BOUNTIFUL **NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 16 LEASES

The future minimum rental payments to be received by the City from this operating lease are as follows:

2006	\$ 335,994
2007	335,501
2008	335,646
2009	336,106
2010	335,796
2011-2015	<u>1,680,980</u>
Total future minimum lease payments	<u>\$ 3,360,023</u>

The City received \$308,263 in rental income from this operating lease for the year ended June 30, 2005. The City's Public Safety building is included in the capital assets section of the financial statements with a cost of \$7,126,977 and associated accumulated depreciation of \$2,672,617. The State's Judicial Court leases approximately 48% of the building.

NOTE 17 COMMITMENTS AND CONTINGENCIES

The City believes that possible contingencies (contingencies incurred but not reported) where the loss cannot be reasonably estimated are immaterial to the financial statements of the City. The City had approximately \$138,024 of outstanding construction commitments at June 30, 2005.

The Redevelopment Agency holds a commitment to a developer for 100% of the tax increment generated by certain properties. The City is committed to make the payments through December 31, 2008 or until the City has paid a total of \$200,000 in tax increment to the developer. The Redevelopment Agency has paid a total of \$103,363 of tax increment through June 30, 2005 related to this commitment.

The South Davis Metro Fire Agency (Agency) was formed in October 2004. This Agency provides fire and emergency medical services to the citizens of Bountiful and several surrounding communities. Bountiful's fire department personnel were terminated by the City as of December 31, 2004, and became employees of the Agency. The Agency will have full access to, and use of, the fire department assets. However, the City will retain ownership of those assets until the Agency receives its taxing authority status. Until that time, each municipality participating in the Agency will share proportionately in the Agency's operating expenses based on each municipality's total property tax assessed valuation. Bountiful's share of expenses for the fiscal year, including start up costs, was \$891,528.

The City, through the Redevelopment Agency, entered into an interlocal government agreement with the Davis County School District to construct a new gymnasium, parking lot and other improvements. The gymnasium will be for the shared use of the School District and the City. By the terms of the agreement, the interest of the city in the gymnasium may be assigned to the South Davis Recreation District. In order to fund the construction, the School District has consented to allow the City, through the Redevelopment Agency, to receive 100% of the tax increment from the 1983 RDA project Area for the years 2005 to 2015. The City, through the Redevelopment Agency, has committed \$4,200,000 for initial funding. The amount may exceed this amount as construction circumstances may merit.

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 18 INTERGOVERNMENTAL REVENUE

Intergovernmental revenue for the year ended June 30, 2005 consists of the following:

Utah Class "C" Road allotment	\$ 1,097,065	88.55 %
City of Woods Cross RDA Tax Increment	76,156	6.14
Homeland Security Grant	32,650	2.64
Utah Liquor Law Enforcement Grant	21,201	1.71
Davis County Narcotics Strike Force Pass-Through	6,734	0.54
Utah Emergency Medical Services Grant	3,711	0.30
HazMat Emergency Plan Training Grant	1,433	0.12
	<u>\$ 1,238,950</u>	<u>100.00 %</u>

NOTE 19 OPERATING TRANSFERS RECONCILIATION

The operating transfers among the funds for the year ended June 30, 2005 were as follows:

	<u>In</u>	<u>Out</u>
General Fund	\$ 2,150,520	\$ 496,071
Municipal Building Authority Fund	257,872	-
Redevelopment Agency	-	95,754
Capital Projects Fund	-	188,118
Enterprise		
Water Fund	24,854	-
Light and Power Fund	223,681	2,150,520
Golf Course Fund	-	12,000
Recreation Fund	285,536	-
	<u>\$ 2,942,463</u>	<u>\$ 2,942,463</u>

NOTE 20 LANDFILL CLOSURE

During the year ended June 30, 1990, the City and several surrounding municipalities entered into a settlement agreement (the Agreement) regarding the City's Bay Area Refuse Disposal (BARD) landfill, accounted for in the landfill closure expendable trust fund. The Agreement provided, among other things, that the City drop its civil action against the municipalities for their breach of contract and for their estimated liability under the Comprehensive Environmental Response, Compensation, and Liability Act (the Act). In return, the municipalities contributed amounts estimated to be sufficient to close the BARD and settle the remaining estimated liabilities under the Act. As of June 30, 2005, \$666,698 is being held in a trust fund until all claims are settled.

In addition to the funds arising from the settlement, the City has established a specific closure and post-closure reserve in the Landfill Operating Fund, an enterprise fund, in accordance with GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs." State and federal laws and regulations require the City to place a final cover on its BARD landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 20 LANDFILL CLOSURE (Continued)

The estimated liability for these costs is \$1,655,459 as of June 30, 2005. The City has reported and included in accrued liabilities \$848,981 as landfill closure and post-closure care liability at June 30, 2005 which is based on 51% usage (filled) of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care as the remaining estimated capacity of the landfill is used. These amounts are based on what it would cost to perform all closure and post-closure care in 2005. The City estimates it will close the landfill in or after the year 2050. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The City is in compliance with these requirements, and, at June 30, 2005, investments of \$2,379,590 (cost and fair value) are held for these purposes. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

NOTE 21 INVESTMENTS IN POWER PROJECTS AND RELATED CONTRACTS

On September 26, 1978, the Light and Power Fund (the Fund) entered into a 50-year contract with the Intermountain Power Agency (IPA) for the purchase of power. Under the terms of the agreement, the Fund is liable for an agreed-upon purchase amount of approximately 1.3% of production regardless of whether it is used or not. On December 1, 1980, the Fund entered into an excess power sales agreement whereby all power purchased from IPA in excess of the Fund's scheduled amount will be sold to a group of California cities, thus relieving the Fund's excess power purchase liability. The Fund has 6 megawatts scheduled for the winter season starting September 25, 2005 and ending March 25, 2006, with 3 megawatts having been resold to Springville City at full cost recovery. An additional 14 megawatts is scheduled for the summer season beginning March 25, 2006 through September 25, 2006. The Fund intends to schedule an additional 14 megawatts for the summer season starting March 25, 2007 through September 25, 2007. This could cost the Fund approximately \$3,750,000 in the fiscal year 2007. The Fund purchased power via this contract totaling \$1,203,354 during the fiscal year ended June 30, 2005. For fiscal year 2006, the budgeted amount for this contract is \$2,010,384.

The Fund has a contract with Western Area Power Administration to provide a prorated share of the actual hydropower capacity from the Salt Lake City Area Integrated Projects. This contract was revised October 1989 and will be in force until September 30, 2024 and supplies about 40% of the Fund's power. The Fund purchased power via this contract totaling \$2,800,159 during the fiscal year ended June 30, 2005. For the fiscal year 2006, the budgeted amount for this contract is \$3,083,411.

On July 1, 1993, the Fund entered into a power sales agreement with Utah Associated Municipal Power Systems (UAMPS) to purchase a five megawatt interest in the San Juan Unit No. 4 coal-fired power plant from Public Service of New Mexico for the sum of \$5,790,000. Under the terms of this agreement, the Fund is liable for a take-or-pay amount of 1.004% of the plant's production. The Fund purchased power via this project totaling \$1,533,395 during the fiscal year ended June 30, 2005. For fiscal year 2006, the budgeted amount for operation and maintenance is \$1,649,788.

The Fund through UAMPS purchased an interest in the Craig-Mona 345 kV transmission line. UAMPS owns 15% of the total line and the Fund has a 22.3% entitlement of UAMPS' share of the first segment which runs west from Craig, Colorado to the Bonanza Power Plant in northeast Utah. There are no take-or-pay obligations for the purchase of power in this agreement. The Fund is responsible for its share of the O&M costs associated with the line. The Fund paid \$170,170 for O&M for the fiscal year ended June 30, 2005. For fiscal year 2006, the budgeted amount for O&M is \$86,400. The Fund through

CITY OF BOUNTIFUL

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 21 INVESTMENTS IN POWER PROJECTS AND RELATED CONTRACTS (Continued)

UAMPS has leased approximately half of its entitlement to PacifiCorp for the next two years. The Fund's share of the lease income is approximately \$300,000 per year.

Beginning on October 1, 2001, the Fund entered into an agreement with Deseret Power Electric Cooperative to purchase 10 megawatts during on peak and 6 megawatts during off peak. This is a take-or-pay contract which will continue through September 30, 2011. The Fund purchased power from Deseret Power via this contract totaling \$3,635,774 during the year ended June 30, 2005. For the fiscal year 2006, the budgeted amount for this project is \$3,438,727.

On June 16, 1999, the Fund, along with other members of UAMPS, entered into a Master Firm Power Supply Agreement with UAMPS for the purchase of firm power from the Idaho Power Company which has currently assigned the contract to Semptra Energy. Under the terms of the agreement, the Fund is responsible on a take-or-pay purchase for 10.08% of the total megawatts purchased by UAMPS or approximately 7.5 megawatts through December 2007. The Fund purchased power via this contract totaling \$1,482,087 during the fiscal year ended June 30, 2005. For fiscal year 2006, the budgeted amount for this contract is \$1,495,081.

The Fund purchases power from, and sells power to, UAMPS and other members through the UAMPS PX system. The Fund is responsible for its budgeted share of UAMPS' O&M. In addition to the normal O&M, in March 2002 UAMPS borrowed approximately forty million dollars to cover operating shortfalls from power contracts signed during the 2000 and 2001 power crisis. This note will be repaid from individual members through a cost recovery charge (CRC). The Fund is responsible for approximately \$83,000 a month or 9.0185% of the \$7,930,728 balance as of June 30, 2005. The Fund's final CRC payment is scheduled for April 2006. The Fund paid UAMPS \$1,804,079 for the fiscal year ended June 30, 2005 for power, O&M, and CRC charges. For fiscal year 2006, the budgeted amount for this contract is \$1,050,172.

NOTE 22 REDEVELOPMENT AGENCY OF THE CITY OF BOUNTIFUL

For the year ended June 30, 2005, the following activity occurred in the City's Redevelopment Agency:

Tax increment collected from other taxing agencies for Project Area:

<u>Project Area 1</u>	
District #3	\$ 324,946
District #5	95,293
<u>Project Area 2</u>	
District #3	9,667
<u>Project Area 3</u>	
District #3	92,630
	<hr/>
	\$ 522,536
	<hr/>
Tax increment paid to other taxing agencies	\$ -
Outstanding loans to finance RDA projects	\$ -
Amounts expended for site improvements and preparation costs	\$ 313,402
Amounts expended for acquisition of property	
Amounts expended for installation of public utilities and other public improvements	
Amounts expended for administrative costs	\$ 683,742

CITY OF BOUNTIFUL
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 23 CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are collateralized by the property financed and are payable solely from payments received on the underlying mortgage loans.

Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2005, there were two series of Industrial Revenue Bonds outstanding, having an outstanding principal balance of \$12,940,000.

NOTE 24 OTHER REQUIRED FUNDS DISCLOSURE

For the year ended June 30, 2005, the Redevelopment Agency special revenue fund exceeded appropriations by \$262,036.

NOTE 25 SUBSEQUENT EVENTS

In September 2005, the City entered into an interlocal agreement whereby the City will advance \$2,000,000 to the South Davis Recreation District for the construction of an ice arena. Davis County pledged to pay \$2,000,000 to the District, from the Tourism Fund, subject to annual appropriation, over a ten year term with interest accruing thereon at 3.5% per year. Upon receipt of each semi-annual payment from the County, the District will immediately remit those same amounts to the City in repayment of the advance previously received.

The City's Redevelopment Agency entered into three separate agreements to provide loans in the amounts of \$30,000, \$41,000, and \$225,000, respectively, to local businesses. These notes are collateralized by land and buildings, and all bear interest at 3.00%. Monthly principal and interest payments for the first note aggregate \$290, beginning September 2005 and continuing until August 2010 when a balloon payment of \$16,411 is due. Monthly principal and interest payments for the second note aggregate \$396, beginning September 2005 and continuing until August 2010 when a balloon payment of \$22,429 is due. Monthly principal and interest payments for the third note aggregate \$2,173, beginning December 2005 and continuing until November 2010 when a balloon payment of \$122,777 is due.

SUPPLEMENTAL INFORMATION

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CITY OF BOUNTIFUL
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

		Special Revenue Fund		Permanent Fund	Total Nonmajor Governmental Funds
	Debt Service	Landfill Closure	Municipal Building Authority	Perpetual Care	
Assets:					
Cash and cash equivalents	\$ 454	\$ -	\$ 254,630	\$ -	\$ 255,084
Accounts receivable	1,650	-	-	-	1,650
Interest receivable	76	-	174	3,076	3,326
Investments	463	-	-	-	463
Notes receivable	2,586,805	-	-	-	2,586,805
Restricted assets:					
Cash and cash equivalents and investments	264,365	666,698	550,465	1,044,305	2,525,833
Total Assets	\$ 2,853,813	\$ 666,698	\$ 805,269	\$ 1,047,381	\$ 5,373,161
LIABILITIES AND FUND BALANCES					
Liabilities:					
Unearned revenues	\$ 2,586,805	\$ -	\$ -	\$ -	\$ 2,586,805
Total Liabilities	2,586,805	-	-	-	2,586,805
Fund Balances:					
Reserved for:					
Construction	-	-	254,804	-	254,804
Landfill closure	-	666,698	-	-	666,698
Perpetual care	-	-	-	1,047,381	1,047,381
Debt service	267,008	-	550,465	-	817,473
Total Fund Balances	267,008	666,698	805,269	1,047,381	2,786,356
Total Liabilities and Fund Balances	\$ 2,853,813	\$ 666,698	\$ 805,269	\$ 1,047,381	\$ 5,373,161

CITY OF BOUNTIFUL
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	Debt Service	Special Revenue Fund Landfill Closure	Municipal Building Authority	Permanent Fund Perpetual Care	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 273,390	\$ -	\$ -	\$ -	\$ 273,390
Charges for services	-	-	545,286	-	545,286
Interest on investments	4,066	16,004	5,771	24,513	50,354
Miscellaneous	-	-	-	38,240	38,240
Total Revenues	277,456	16,004	551,057	62,753	907,270
Expenditures:					
General government	12,229	-	-	-	12,229
Debt service:					
Principal	148,000	-	373,000	-	521,000
Interest	115,252	-	261,746	-	376,998
Total Expenditures	275,481	-	634,746	-	910,227
Excess (deficiency) of Revenues Over (Under) Expenditures	1,975	16,004	(83,689)	62,753	(2,957)
Other Financing Sources (Uses):					
Transfer in	-	-	257,872	-	257,872
Total Other Financing Sources (Uses)	-	-	257,872	-	257,872
Net Change in Fund Balances	1,975	16,004	174,183	62,753	254,915
Fund Balance, Beginning	265,033	650,694	631,086	984,628	2,531,441
Fund Balance, Ending	\$ 267,008	\$ 666,698	\$ 805,269	\$ 1,047,381	\$ 2,786,356

CITY OF BOUNTIFUL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL –NONMAJOR DEBT SERVICE FUND
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with final budget - Under (Over)
	Original	Final		
Revenues:				
Taxes	\$ 275,277	\$ 275,277	\$ 273,390	\$ (1,887)
Interest on investments	1,400	1,400	4,066	2,666
Total Revenues	<u>276,677</u>	<u>276,677</u>	<u>277,456</u>	<u>779</u>
Expenditures:				
General government	10,780	10,780	12,229	(1,449)
Debt service:				
Principal	148,000	148,000	148,000	-
Interest	115,252	115,252	115,252	-
Total Expenditures	<u>274,032</u>	<u>274,032</u>	<u>275,481</u>	<u>(1,449)</u>
Excess (deficiency) of Revenues Over (Under) Expenditures	<u>2,645</u>	<u>2,645</u>	<u>1,975</u>	<u>(670)</u>
Other Financing Sources (Uses):				
Transfer in	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 2,645</u>	<u>\$ 2,645</u>	<u>1,975</u>	<u>\$ (670)</u>
Fund Balance, Beginning			<u>265,033</u>	
Fund Balance, Ending			<u>\$ 267,008</u>	

CITY OF BOUNTIFUL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – NONMAJOR MUNICIPAL BUILDING
AUTHORITY SPECIAL REVENUE FUND
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with final budget - Under (Over)
	Original	Final		
Revenues:				
Charges for services	\$ 567,294	\$ 567,294	\$ 545,286	\$ (22,008)
Interest on investments	4,203	4,203	5,771	1,568
Total Revenues	571,497	571,497	551,057	(20,440)
Expenditures:				
Debt service:				
Principal	373,000	373,000	373,000	-
Interest	262,047	262,047	261,746	301
Total Expenditures	635,047	635,047	634,746	301
Excess (Deficiency) of Revenues Over (Under) Expenditures	(63,550)	(63,550)	(83,689)	(20,139)
Other Financing Sources (Uses):				
Transfer in	-	-	257,872	257,872
Total Other Financing Sources (Uses)	-	-	257,872	257,872
Net Change in Fund Balance	\$ (63,550)	\$ (63,550)	174,183	\$ 237,733
Fund Balance, Beginning			631,086	
Fund Balance, Ending			\$ 805,269	

CITY OF BOUNTIFUL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL –MAJOR CAPITAL PROJECTS FUND
For The Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget -</u>
				<u>Under (Over)</u>
Revenues:				
Taxes	\$ 2,019,603	\$ 2,019,603	\$ 3,656,976	\$ 1,637,373
Intergovernmental	-	-	32,650	32,650
Charges for services	14,400	14,400	7,200	(7,200)
Interest on investments	250,000	250,000	388,905	138,905
Miscellaneous	-	-	528,150	528,150
Total Revenues	<u>2,284,003</u>	<u>2,284,003</u>	<u>4,613,881</u>	<u>2,329,878</u>
Expenditures:				
Capital outlay	<u>2,991,869</u>	<u>2,991,869</u>	<u>2,711,984</u>	<u>279,885</u>
Total Expenditures	<u>2,991,869</u>	<u>2,991,869</u>	<u>2,711,984</u>	<u>279,885</u>
Excess (deficiency) of Revenues				
Over (Under) Expenditures	<u>(707,866)</u>	<u>(707,866)</u>	<u>1,901,897</u>	<u>2,609,763</u>
Other Financing Sources (Uses):				
Transfer out	<u>(26,000)</u>	<u>(26,000)</u>	<u>(188,118)</u>	<u>(162,118)</u>
Total Other Financing Sources				
(Uses)	<u>(26,000)</u>	<u>(26,000)</u>	<u>(188,118)</u>	<u>(162,118)</u>
Net Change in Fund Balance	<u>\$ (733,866)</u>	<u>\$ (733,866)</u>	<u>1,713,779</u>	<u>\$ 2,447,645</u>
Fund Balance, Beginning			<u>16,904,940</u>	
Fund Balance, Ending			<u>\$ 18,618,719</u>	

CITY OF BOUNTIFUL
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2005

	Business-type Activities - Enterprise Funds						Total Nonmajor Enterprise Funds
	Storm Water	Golf Course	Recreation	Sanitation	Cemetery		
Assets:							
Current Assets:							
Cash and cash equivalents	\$ 619,359	\$ 442,454	\$ 416,352	\$ 806,812	\$ 402,710	\$	2,687,687
Accounts receivable, net	82,951	7,117	12,103	115,440	121,130		338,741
Interest receivable	3,591	2,479	2,412	4,579	2,412		15,473
Investments	628,995	448,422	421,993	819,262	408,977		2,727,649
Inventories	-	60,737	6,800	-	7,807		75,344
Total Current Assets	1,334,896	961,209	859,660	1,746,093	943,036		5,844,894
Noncurrent Assets:							
Capital assets, net:							
Land, land rights and water rights	-	1,869,367	136,927	-	247,151		2,253,445
Buildings, wells and reservoirs	-	306,073	627,727	12,488	-		946,288
Improvements other than buildings	-	1,164,011	68,372	4,538	94,801		1,331,722
Transmission, distribution and collection systems	5,417,080	-	-	-	-		5,417,080
Machinery and equipment	166,291	236,971	68,012	199,807	56,425		727,506
Furniture and fixtures	-	-	11,330	-	-		11,330
Construction in progress	-	48,271	-	-	-		48,271
Notes receivable	-	-	-	-	182,010		182,010
Total Noncurrent Assets	5,583,371	3,624,693	912,368	216,833	580,387		10,917,652
Total Assets	\$ 6,918,267	\$ 4,585,902	\$ 1,772,028	\$ 1,962,926	\$ 1,523,423	\$	16,762,546

CITY OF BOUNTIFUL
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS (Continued)
June 30, 2005

Business-type Activities - Enterprise Funds						
	Storm Water	Golf Course	Recreation	Sanitation	Cemetery	Total Nonmajor Enterprise Funds
Liabilities:						
Current Liabilities:						
Accounts payable	\$ 107,003	\$ 38,302	\$ 36,338	\$ 6,666	\$ 1,240	\$ 189,549
Compensated absences	2,632	22,388	9,922	9,716	3,385	48,043
Accrued liabilities	16,577	62,711	44,819	7,697	6,732	138,536
Total Current Liabilities	126,212	123,401	91,079	24,079	11,357	376,128
Noncurrent Liabilities:						
Compensated absences	4,938	30,367	30,359	16,035	8,425	90,124
Total Noncurrent Liabilities	4,938	30,367	30,359	16,035	8,425	90,124
Total Liabilities	131,150	153,768	121,438	40,114	19,782	466,252
Net Assets:						
Invested in capital assets, net of related debt	5,583,371	3,624,693	912,368	216,833	398,377	10,735,642
Unrestricted	1,203,746	807,441	738,222	1,705,979	1,105,264	5,560,652
Total Net Assets	6,787,117	4,432,134	1,650,590	1,922,812	1,503,641	16,296,294
Total Liabilities and Net Assets	\$ 6,918,267	\$ 4,585,902	\$ 1,772,028	\$ 1,962,926	\$ 1,523,423	\$ 16,762,546

CITY OF BOUNTIFUL
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For The Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds						Total Nonmajor Enterprise Funds
	Storm Water	Golf Course	Recreation	Sanitation	Cemetery		
Operating Revenues:							
Charges for services	\$ 658,224	\$ -	\$ -	\$ 770,994	\$ 72,110	\$	1,501,328
Connection and servicing	44,214	-	-	-	-		44,214
Admissions and lesson fees	-	679,078	654,181	-	-		1,333,259
Equipment and facility rents	-	323,808	213,600	-	4,850		542,258
Concession and merchandise sales	-	167,059	82,904	-	-		249,963
Sale of cemetery burial plots	-	-	-	-	192,142		192,142
Miscellaneous	13,576	1,238	912	553	865		17,144
Total Operating Revenues	716,014	1,171,183	951,597	771,547	269,967		3,880,308
Operating Expenses:							
Production, collection and source of supplies	513,516	-	-	-	-		513,516
Transmission, distribution and/or maintenance	-	669,913	964,361	408,555	183,640		2,226,469
Cost of concession and merchandise sales	-	103,574	73,956	-	-		177,530
General and administrative	124,803	170,447	283,841	143,309	60,958		783,358
Depreciation and amortization	471,314	165,698	115,079	120,670	19,121		891,882
Total Operating Expenses	1,109,633	1,109,632	1,437,237	672,534	263,719		4,592,755
Operating Income (loss)	\$ (393,619)	\$ 61,551	\$ (485,640)	\$ 99,013	\$ 6,248	\$	(712,447)

CITY OF BOUNTIFUL
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS (Continued)
For The Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds					
	Storm Water	Golf Course	Recreation	Sanitation	Cemetery	Total Nonmajor Enterprise Funds
Nonoperating Income (Expense):						
Interest income	\$ 28,898	\$ 20,334	\$ 19,693	\$ 35,923	\$ 19,488	\$ 124,336
Gain (loss) from sale of capital assets	-	-	(13,511)	-	1,080	(12,431)
Total Nonoperating Income (Expense)	28,898	20,334	6,182	35,923	20,568	111,905
Income (loss) before transfers	(364,721)	81,885	(479,458)	134,936	26,816	(600,542)
Transfers in	-	-	285,536	-	-	285,536
Transfers out	-	(12,000)	-	-	-	(12,000)
Changes in Net Assets	(364,721)	69,885	(193,922)	134,936	26,816	(327,006)
Net Assets, Beginning	7,151,838	4,362,249	1,844,512	1,787,876	1,476,825	16,623,300
Net Assets, Ending	\$ 6,787,117	\$ 4,432,134	\$ 1,650,590	\$ 1,922,812	\$ 1,503,641	\$ 16,296,294

CITY OF BOUNTIFUL
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For The Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds					Total Nonmajor Enterprise Funds
	Storm Water	Golf Course	Recreation	Sanitation	Cemetery	
Cash Flows From Operating Activities:						
Receipts from customers and users	\$ 716,961	\$ 1,173,729	\$ 958,936	\$ 768,648	\$ 244,187	\$ 3,862,461
Payments to suppliers	(299,036)	(427,303)	(550,732)	(241,693)	(45,536)	(1,564,300)
Payments to employees and related benefits	(265,481)	(520,186)	(785,615)	(300,398)	(191,587)	(2,063,267)
Net cash flows from operating activities	152,444	226,240	(377,411)	226,557	7,064	234,894
Cash Flows From Non-Capital Financing Activities:						
Transfers in	-	-	285,536	-	-	285,536
Transfers out	-	(12,000)	-	-	-	(12,000)
Payment of note receivable	-	-	-	-	13,000	13,000
Net cash flows from non-capital financing activities	-	(12,000)	285,536	-	13,000	286,536
Cash Flows From Capital and Related Financing Activities:						
Purchase of capital assets	(177,934)	(85,492)	(11,926)	(53,703)	(27,108)	(356,163)
Proceeds from sales of capital assets	-	-	-	-	1,080	1,080
Net cash flows from capital and related financing activities	(177,934)	(85,492)	(11,926)	(53,703)	(26,028)	(355,083)
Cash Flows From Investing Activities:						
Interest on investments	26,406	18,456	18,117	32,646	17,829	113,454
Purchase of investments	(519,292)	(370,212)	(348,393)	(676,375)	(337,647)	(2,251,919)
Sale of investments	347,060	193,764	264,441	377,236	221,533	1,404,034
Net cash flows from investing activities	(145,826)	(157,992)	(65,835)	(266,493)	(98,285)	(734,431)
Net Increase (Decrease) In Cash and Cash Equivalents	(171,316)	(29,244)	(169,636)	(93,639)	(104,249)	(568,084)
Cash and Cash Equivalents, Beginning	790,675	471,698	585,988	900,451	506,959	3,255,771
Cash and Cash Equivalents, Ending	\$ 619,359	\$ 442,454	\$ 416,352	\$ 806,812	\$ 402,710	\$ 2,687,687

CITY OF BOUNTIFUL
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS (Continued)
For The Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds					Total Nonmajor Enterprise Funds
	Storm Water	Golf Course	Recreation	Sanitation	Cemetery	
Reconciliation of operating income to net cash flows from operating activities:						
Earnings (loss) from operations	\$ (393,619)	\$ 61,551	\$ (485,640)	\$ 99,013	\$ 6,248	\$ (712,447)
Adjustments to reconcile earnings (loss) to net cash flows from operating activities:						
Depreciation	471,314	165,698	115,079	120,670	19,121	891,882
Changes in assets and liabilities						
Accounts receivable, net	947	2,546	7,339	(2,899)	(25,780)	(17,847)
Inventories	-	(1,197)	(925)	-	2,794	672
Accounts payable	61,246	(6,188)	(16,699)	5,646	205	44,210
Compensated absences	2,744	2,171	15	4,608	3,966	13,504
Accrued liabilities	9,812	1,659	3,420	(481)	510	14,920
Net cash flows from operating activities	\$ 152,444	\$ 226,240	\$ (377,411)	\$ 226,557	\$ 7,064	\$ 234,894

CITY OF BOUNTIFUL
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2005

	Governmental Immunity	Workers' Compensation Self-Insurance	Total Internal Service Funds
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 1,815,234	\$ 649,394	\$ 2,464,628
Interest receivable	11,221	3,797	15,018
Investments	1,843,476	640,483	2,483,959
Other receivables	-	6,932	6,932
Total Current Assets	<u>3,669,931</u>	<u>1,300,606</u>	<u>4,970,537</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	453,014	-	453,014
Total Noncurrent Assets	<u>453,014</u>	<u>-</u>	<u>453,014</u>
Total Assets	<u><u>\$ 4,122,945</u></u>	<u><u>\$ 1,300,606</u></u>	<u><u>\$ 5,423,551</u></u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 32,316	\$ 68,946	\$ 101,262
Accrued liabilities	1,978	1,552	3,530
Total Liabilities	<u>34,294</u>	<u>70,498</u>	<u>104,792</u>
Net Assets:			
Restricted for insurance deposit	453,014	-	453,014
Unrestricted	3,635,637	1,230,108	4,865,745
Total Net Assets	<u>4,088,651</u>	<u>1,230,108</u>	<u>5,318,759</u>
Total Liabilities and Net Assets	<u><u>\$ 4,122,945</u></u>	<u><u>\$ 1,300,606</u></u>	<u><u>\$ 5,423,551</u></u>

CITY OF BOUNTIFUL
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS
For The Year Ended June 30, 2005

	Governmental Immunity	Workers' Compensation Self-Insurance	Total Internal Service Funds
Operating Revenues:			
Charges for services	\$ 272,785	\$ 224,344	\$ 497,129
Miscellaneous	26,862	-	26,862
Total Operating Revenues	<u>299,647</u>	<u>224,344</u>	<u>523,991</u>
Operating Expenses:			
Claims	59,814	124,157	183,971
General and administrative	393,750	98,984	492,734
Total Operating Expenses	<u>453,564</u>	<u>223,141</u>	<u>676,705</u>
Operating Income (Loss)	<u>(153,917)</u>	<u>1,203</u>	<u>(152,714)</u>
Nonoperating Income (Expense):			
Interest income	98,389	30,408	128,797
Total Nonoperating Income (Expense)	<u>98,389</u>	<u>30,408</u>	<u>128,797</u>
Changes in Net Assets	(55,528)	31,611	(23,917)
Net Assets, Beginning	<u>4,144,179</u>	<u>1,198,497</u>	<u>5,342,676</u>
Net Assets, Ending	<u><u>\$ 4,088,651</u></u>	<u><u>\$ 1,230,108</u></u>	<u><u>\$ 5,318,759</u></u>

CITY OF BOUNTIFUL
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For The Year Ended June 30, 2005

	Governmental Immunity	Workers' Compensation Self-Insurance	Total Internal Service Funds
Cash Flows From Operating Activities:			
Receipts from customers and users	\$ 299,647	\$ 224,344	\$ 523,991
Payments to suppliers	(400,386)	(164,489)	(564,875)
Payments to employees and related benefits	(62,765)	(55,974)	(118,739)
Net cash flows from operating activities	<u>(163,504)</u>	<u>3,881</u>	<u>(159,623)</u>
Cash Flows From Investing Activities:			
Interest on investments	90,830	27,764	118,594
Purchase of investments	(1,521,957)	(528,777)	(2,050,734)
Sale of investments	1,047,518	341,496	1,389,014
Net cash flows from investing activities	<u>(383,609)</u>	<u>(159,517)</u>	<u>(543,126)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(547,113)	(155,636)	(702,749)
Cash and Cash Equivalents, Beginning	<u>2,815,361</u>	<u>805,030</u>	<u>3,620,391</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 2,268,248</u></u>	<u><u>\$ 649,394</u></u>	<u><u>\$ 2,917,642</u></u>
Reconciliation of operating income to net cash flows from operating activities:			
Earnings (loss) from operations	\$ (153,917)	\$ 1,203	\$ (152,714)
Adjustments to reconcile earnings (loss) to net cash flows from operating activities:			
Changes in assets and liabilities			
Accounts receivable, net	-	165	165
Accounts payable	(9,800)	2,678	(7,122)
Accrued liabilities	213	(165)	48
Net cash flows from operating activities	<u><u>\$ (163,504)</u></u>	<u><u>\$ 3,881</u></u>	<u><u>\$ (159,623)</u></u>

STATISTICAL SECTION

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CITY OF BOUNTIFUL
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
Last Ten Fiscal Years
Table 1

Fiscal Year	General Government and Redevelopment	Public Safety	Planning Engineering, Highways, and Streets	Parks	Debt Service	Total
1996	\$ 1,834,943	\$ 4,234,264	\$ 1,948,256	\$ 324,727	\$ 296,229	\$ 8,638,419
1997	1,889,656	4,688,627	2,013,333	340,548	424,731	9,356,895
1998	1,954,199	5,018,755	2,128,004	356,504	538,481	9,995,943
1999	3,173,730	5,197,614	2,153,192	359,447	629,904	11,513,887
2000	2,211,539	5,567,989	2,209,275	367,709	649,934	11,006,446
2001	2,150,270	5,835,933	2,424,902	388,056	641,222	11,440,383
2002	2,204,825	5,751,425	2,481,067	430,773	994,175	11,862,265
2003	2,673,574	5,869,759	3,009,096	472,386	311,374	12,336,189
2004	6,563,353	6,073,026	3,369,708	493,190	185,570	16,684,847
2005	4,047,853	6,289,379	3,363,357	491,351	263,252	14,455,192

(1) Includes General, Redevelopment Agency, Municipal Building Authority, Landfill Closure, Cemetery Perpetual Care, and Debt Service Funds.

CITY OF BOUNTIFUL
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
Last Ten Fiscal Years
Table 2

Fiscal Year	Taxes	Licenses and Permits	Inter- governmental	Charges for Services	Fines and Forfeitures	Interest and Miscellaneous	Total Revenues
1996	\$ 4,417,879	\$ 549,329	\$ 802,982	\$ 1,062,009	\$ 78,059	\$ 398,960	\$ 7,309,218
1997	4,684,859	466,500	891,550	1,061,736	126,094	410,263	7,641,002
1998	5,068,450	672,688	1,430,885	1,391,063	115,932	498,618	9,177,636
1999	5,241,474	620,468	1,420,041	1,631,673	104,218	638,106	9,655,980
2000	5,364,455	690,729	1,546,707	1,724,733	115,200	574,794	10,016,618
2001	5,782,013	679,710	1,557,195	1,900,737	113,532	756,172	10,789,359
2002	5,387,603	614,790	1,479,029	2,234,197	113,606	484,412	10,313,637
2003	6,613,086	899,922	1,506,587	2,202,302	102,338	525,495	11,849,730
2004	6,678,083	752,419	1,594,238	2,257,655	88,090	464,268	11,834,753
2005	7,442,914	745,235	1,206,300	2,256,869	85,941	635,383	12,372,642

(1) Includes General, Redevelopment Agency, Municipal Building Authority, Landfill Closure, Cemetery Perpetual Care, and Debt Service Funds.

**CITY OF BOUNTIFUL
TAX REVENUES BY SOURCE
Last Ten Fiscal Years
Table 3**

Fiscal Year	General Property Tax (1)	General Sales and Use Tax (2)	Franchise Tax	Fees in Lieu of Personal Property Tax	Special Assessment Levies	Total tax Revenue
1996	\$ 1,664,818	\$ 966,219	\$ 1,451,600	\$ 335,242	\$ -	\$ 4,417,879
1997	1,679,118	1,093,377	1,541,989	370,375	-	4,684,859
1998	1,984,283	1,054,350	1,628,126	401,691	-	5,068,450
1999	2,023,132	1,198,623	1,637,717	382,002	-	5,241,474
2000	2,235,106	1,080,203	1,684,171	364,975	-	5,364,455
2001	2,602,762	642,351	2,140,424	396,476	-	5,782,013
2002	2,488,899	220,098	2,337,391	341,217	-	5,387,605
2003	2,503,984	1,459,351	2,281,391	368,360	-	6,613,086
2004	2,489,340	1,104,436	2,483,870	403,821	196,616	6,678,083
2005	2,512,650	1,372,535	2,951,451	332,888	273,390	7,442,914

(1) Includes General and Redevelopment Agency Funds.

(2) Sales tax is also used in the Capital Projects Fund, and is also used in the Storm Water Fund (2002 and 2003 only).
That portion is not reflected in this table.

CITY OF BOUNTIFUL
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
Table 4

<u>Fiscal Year</u>	<u>Total Tax Levy (1)</u>	<u>Current Tax Collections</u> (2)	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u> (2)	<u>Percent of Total Tax Collections to Tax Levy</u>
1995-96	\$ 1,695,232	\$ 1,632,086	96.28	\$ 35,093	\$ 1,667,179	98.35
1995-96 RDA	298,189	298,189	100.00	-	298,189	100.00
1996-97	1,762,818	1,709,114	96.95	55,461	1,764,575	100.10
1996-97 RDA	285,948	285,948	100.00	-	285,948	100.00
1997-98	2,129,116	2,041,936	95.90	48,323	2,090,259	98.17
1997-98 RDA	285,948	285,948	100.00	-	285,948	100.00
1998-99	2,174,506	2,090,435	96.13	70,839	2,161,274	99.39
1998-99 RDA	272,000	272,000	100.00	-	272,000	100.00
1999-00	2,213,173	2,152,410	97.25	84,074	2,236,484	101.05
1999-00 RDA	444,295	413,269	93.02	-	413,269	93.02
2000-01	2,548,960	2,431,777	95.40	78,877	2,510,654	98.50
2000-01 RDA	513,043	513,043	100.00	-	513,043	100.00
2001-02	2,300,699	2,200,837	95.66	92,932	2,293,769	99.70
2001-02 RDA	625,763	625,763	100.00	-	625,763	100.00
2002-03	2,344,741	2,233,201	95.24	66,980	2,300,181	98.10
2002-03 RDA	695,706	560,602	80.58	-	560,602	80.58
2003-04	2,409,170	2,317,429	96.19	106,469	2,423,898	100.61
2003-04 RDA	560,602	532,921	95.06	-	532,921	95.06
2004-05	2,326,636	2,235,848	96.10	85,169	2,321,017	99.76
2004-05 RDA	573,846	522,537	91.06	-	522,537	91.06

(1) This total tax levy includes an adjustment reflecting fees in lieu of personal property tax.

(2) Includes fees in lieu of personal property tax.

Source: Davis County Treasurer's Office.

CITY OF BOUNTIFUL
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
Table 5

<u>Fiscal Year</u>	<u>Assessed Value (in thousands)</u>	<u>(2)</u>	<u>Estimated Actual Value (in thousands)</u>	<u>(1)</u>	<u>Ratio of Assessed to Estimated Actual Value</u>	<u>(1)</u>
1996	\$ 1,141,230					
1997	1,295,856					
1998	1,399,897					
1999	1,456,564					
2000	1,503,502					
2001	1,622,634					
2002	1,605,530					
2003	1,629,182					
2004	1,675,038					
2005	1,629,393					

(1) Not determinable. County Assessor cannot readily provide breakdown of assessed value of residential versus commercial property, but residential property was assessed at 55% of market value, commercial property was assessed at 100% of market value, and personal property was assessed at 100% of market value.

(2) The Assessed Value does not include registered vehicles.

Source: Davis County Assessor's Office.

CITY OF BOUNTIFUL
PROPERTY TAX RATES - ALL DIRECT OVERLAPPING GOVERNMENTS
 (Per \$1 of Taxable Value)
 Last Ten Fiscal Years
Table 6

Fiscal Year	Davis County School District (2)	Davis County (1)	Weber Basin Water	Mosquito Abatement District	Bountiful Water		South Davis Sewer District	City of Bountiful	Davis County Library	South Davis Recreation District	Total Levy for City of Bountiful Residents
					Sub-conservancy District	District					
1996	0.008339	0.003013	0.000165	0.000068	0.000142	0.000471	0.001285	0.000335	-	-	0.013818
1997	0.007408	0.002848	0.000154	0.000066	0.000137	0.000457	0.001235	0.000321	-	-	0.012626
1998	0.007604	0.002648	0.000145	0.000123	0.000126	0.000424	0.001318	0.000298	-	-	0.012686
1999	0.007393	0.001833	0.000139	0.000120	0.000123	0.000415	0.001260	0.000292	-	-	0.011575
2000	0.007370	0.001769	0.000139	0.000064	0.000122	0.000408	0.001270	0.000285	-	-	0.011427
2001	0.007600	0.001664	0.000193	0.000061	0.000143	0.000358	0.001195	0.000431	-	-	0.011645
2002	0.007610	0.001650	0.000193	0.000061	0.000150	0.000361	0.001216	0.000431	-	-	0.011672
2003	0.007731	0.001954	0.000196	0.000094	0.000152	0.000364	0.001223	0.000434	-	-	0.012148
2004	0.007821	0.001948	0.000198	0.000093	0.000153	0.000366	0.001231	0.000432	-	-	0.012242
2005	0.007684	0.001921	0.000193	0.000091	0.000147	0.000357	0.001194	0.000426	0.000536	-	0.012549

(1) Includes a tax rate for assessing and collecting of property taxes.

(2) Includes state uniform school fund.

Source: Davis County Auditor's Office.

**CITY OF BOUNTIFUL
SPECIAL ASSESSMENT COLLECTIONS
Last Ten Fiscal Years
Table 7**

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collections</u>
1996	\$ -	\$ -
1997	-	-
1998	-	-
1999	-	-
2000	-	-
2001	-	-
2002	-	-
2003	-	-
2004	196,616	196,616
2005	273,390	273,390

Source: City of Bountiful Treasurer's Office.

CITY OF BOUNTIFUL
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET GENERAL BONDED DEBT PER CAPITA
Last Ten Fiscal Years
Table 8

Fiscal Year	Population	Assessed Value (in thousands) (3)	Gross Bonded Debt (2)	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1996	40,320	\$ 1,141,230	-	-	-	0.00	0.00
1997	40,750	1,295,856	-	-	-	0.00	0.00
1998	40,119	1,399,897	-	-	-	0.00	0.00
1999	40,427	1,456,564	-	-	-	0.00	0.00
2000	41,301 (1)	1,503,502	-	-	-	0.00	0.00
2001	41,986	1,622,634	-	-	-	0.00	0.00
2002	42,534	1,605,530	-	-	-	0.00	0.00
2003	43,076	1,629,182	-	-	-	0.00	0.00
2004	43,323	1,675,038	-	-	-	0.00	0.00
2005	43,449	1,629,393	-	-	-	0.00	0.00

(1) Population for 2000 was received from the U.S. Census Bureau. Population figures for all other years are estimates.

(2) Includes all long-term general obligation debt.

(3) Assessed Value does not include registered vehicles.

CITY OF BOUNTIFUL
COMPUTATION OF LEGAL DEBT MARGIN (In Thousands)
June 30, 2005
Table 9

TOTAL ASSESSED VALUE		<u><u>\$ 1,629,393</u></u>
Debt limit - 12% of total assessed value		\$ 195,527
Amount of debt applicable to debt limits		
General Obligation Bonds	\$ -	
Less assets available for payment of principal	<u>-</u>	
Total amount of debt applicable to debt limit		<u>-</u>
LEGAL DEBT MARGIN		<u><u>\$ 195,527</u></u>

CITY OF BOUNTIFUL
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2005
Table 10

	<u>Gross Bonded Debt Outstanding (1)</u>	<u>Percentage Applicable to City of Bountiful</u>	<u>Amount Applicable to City of Bountiful</u>
State of Utah	\$ 1,514,510,000	1.32 %	\$ 19,991,532
Weber Basin Water Conservancy District	36,603,445	6.30	2,306,017
Davis County	26,535,000	15.84	4,203,144
Davis School District	249,823,915	10.93	27,305,754
South Davis Recreation District	18,400,000	43.88	<u>8,073,920</u>
Overlapping debt			61,880,367
City of Bountiful			<u>-</u>
Total direct and overlapping general obligation debt			<u><u>\$ 61,880,367</u></u>

(1) Amounts reflect general bonded debt only.

Source: Davis County Auditor's Office.

CITY OF BOUNTIFUL
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED
DEBT TO GENERAL EXPENDITURES
Last Ten Fiscal Years
Table 11

Fiscal Year	Principal	Interest and Fees	Total Debt Service	Total General Expenditures (1)	Ratio of Debt Service to Total General Expenditures
1996	-	-	-	\$ 8,638,419	-
1997	-	-	-	9,356,895	-
1998	-	-	-	9,995,943	-
1999	-	-	-	11,513,887	-
2000	-	-	-	11,006,446	-
2001	-	-	-	11,440,383	-
2002	-	-	-	11,862,265	-
2003	-	-	-	12,336,189	-
2004	-	-	-	16,684,847	-
2005	-	-	-	14,455,192	-

(1) Includes General, Redevelopment Agency, Municipal Building Authority, Landfill Closure, Cemetery Perpetual Care, and Debt Service Funds. These expenditures coincide with those shown on Table 1.

CITY OF BOUNTIFUL
REVENUE BOND COVERAGE
Last Ten Fiscal Years
Table 12

Fiscal Year	Revenue	Expenses	Net Revenue Available to Debt Service	Principal	Interest	Total	Percentage of Coverage
1996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0 %
1997	15,333	-	15,333	-	156,853	156,853	10
1998	232,328	-	232,328	63,000	213,425	276,425	84
1999	338,072	-	338,072	315,000	253,565	568,565	59
2000	339,953	-	339,953	395,000	246,647	641,647	53
2001	343,007	-	343,007	415,000	226,222	641,222	53
2002	312,643	-	312,643	806,000	188,175	994,175	31
2003	310,949	-	310,949	164,000	147,374	311,374	99
2004	323,428	-	323,428	173,000	272,318	445,318	73
2005	551,057	-	551,057	373,000	261,746	634,746	87

**CITY OF BOUNTIFUL
DEMOGRAPHIC STATISTICS
Table 13**

Census

<u>Year</u>	<u>Population</u>
1920 (1)	2,063
1930 (1)	2,571
1940 (1)	3,357
1950 (1)	6,004
1960 (1)	17,039
1970 (1)	27,853
1980 (1)	32,877
1990 (1)	37,544
2000 (1)	41,301
2001 (2)	41,986
2002 (2)	42,534
2003 (2)	43,076
2004 (2)	43,323
2005 (2)	43,449

2000 Age Distribution of Population (1)

<u>Age</u>	<u>Number</u>	<u>Percent</u>
Under 5 years	3,303	8.00 %
5 to 9 years	3,172	7.68
10 to 14 years	3,441	8.33
15 to 19 years	3,692	8.94
20 to 24 years	3,431	8.31
25 to 34 years	4,659	11.28
35 to 44 years	5,202	12.60
45 to 54 years	4,615	11.17
55 to 59 years	2,006	4.86
60 to 64 years	1,862	4.51
65 to 74 years	3,218	7.79
75 to 84 years	2,049	4.95
85 years and over	651	1.58
	<u>41,301</u>	<u>100.00 %</u>

Median age: 32.5 years

(1) Source: United States Census.

(2) Estimate from Governor's Office of Planning and Budget.

CITY OF BOUNTIFUL
PROPERTY VALUE AND CONSTRUCTION
Last Ten Fiscal Years
Table 14

Fiscal Year	Commercial Construction		Residential Construction		Property Value (in thousands) (1)
	Number of Units	Value (in thousands)	Number of Units	Value (in thousands)	
1996	6	7,375	135	25,656	
1997	21	2,319	201	34,417	
1998	52	17,634	189	25,350	
1999	21	10,413	136	27,500	
2000	58	6,612	126	27,700	
2001	64	8,526	154	34,300	
2002	45	7,779	100	27,605	
2003	60	21,971	193	44,510	
2004	69	6,541	135	37,573	
2005	57	7,799	128	44,319	

(1) Not determinable. County Assessor cannot readily provide breakdown of assessed value of residential versus commercial property, but residential property was assessed at 55% of market value, commercial property was assessed at 100% of market value, and personal property was assessed at 100% of market value.

Source: City of Bountiful Engineering Department.

**CITY OF BOUNTIFUL
PRINCIPAL PROPERTY TAX PAYERS
For the Year Ended June 30, 2005
Table 15**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total</u>
Hospital Corporation of Utah	Health Care	\$ 17,077,557	1.02 %
Qwest Communications	Telephone Utility	15,817,823	0.94
MABEK Company	Department Store	14,764,202	0.88
Questar	Natural Gas Utility	6,756,031	0.40
Bill Olson Investment LTD	Grocery, Drug Store, Service Station	5,355,790	0.32
Winegars Shopping Center	Grocery, Drug Store	4,584,270	0.27
Miller/Horne Carrington Place, LLC	Rental Housing	4,405,852	0.26
Albertson's Inc	Grocery, Drug Store	4,160,479	0.25
Bountiful Fitness partners	Health Club	3,760,570	0.22
Health Care Property Investors, Inc.	Health Care Real Estate	3,546,610	0.21
Total		<u>\$ 80,229,184</u>	<u>4.77 %</u>

CITY OF BOUNTIFUL
MISCELLANEOUS STATISTICS
June 30, 2005
Table 16

Date of Incorporation.....	December 14, 1892
Form of government	Manager
Area	14 square miles
Miles of streets.....	158 miles
Number of street lights	2,112
Fire protection:	
Number of stations	2 (operated by South Davis Metro Fire Agency)
Police protection:	
Number of stations	1
Number of policemen and officers	34
Number of police reserve officers	10
Education:	
Number of high schools	2
Number of junior high schools	4
Number of elementary schools	10
Number of students	10,281
Municipal water department:	
Number of customers	10,532
Average daily consumption	4,136,849 gallons
Miles of water mains	170 miles
Storm sewers:	
Encased	73 miles
Concrete-lined open ditch	4 miles
Power and light:	
Miles of distribution lines.....	226 miles
Number of customers	15,986
Kilowatt hours sold	286,063,769
Building permits issued	106
Recreation and culture:	
Number of parks	19 with 131 acres
Number of covered picnic areas	13
Number of tennis courts	21
Number of soccer fields	5
Number of ball diamonds	9
Number of swimming pools	1
Number of ice rinks	1
Number of golf courses	1 (18 holes)
Number of art centers	1
City employees	534 (162 full-time)

**CITY OF BOUNTIFUL
BOUNTIFUL, UTAH**

SUPPLEMENTARY REPORTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**CITY OF BOUNTIFUL
SUPPLEMENTARY REPORTS
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Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and
Members of the City Council
City of Bountiful, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bountiful as of and for the year ended June 30, 2005, which collectively comprise the City of Bountiful's basic financial statements, and have issued our report thereon dated October 6, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bountiful's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bountiful's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain immaterial instances of noncompliance that we have reported to the management of the City of Bountiful in the accompanying *Schedule of Findings and Recommendations*.

This report is intended solely for the information and use of the Mayor, City Council and management of the City of Bountiful, the Utah State Auditor's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jensen & Keddington

October 6, 2005



**AUDITOR'S REPORT ON
STATE OF UTAH
LEGAL COMPLIANCE**

Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA

Honorable Mayor and
Members of City Council
City of Bountiful, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bountiful, for the year ended June 30, 2005, and have issued our report thereon dated October 6, 2005. As part of our audit, we have audited the City of Bountiful's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort; or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance program from the State of Utah:

B&C Road Funds (Department of Transportation)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Liquor Law Enforcement
B & C Road Funds
Other General Compliance Issues
Uniform Building Code Standards
Impact Fees

The management of the City of Bountiful is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the *Schedule of Findings and Recommendations*. We considered these instances of noncompliance in forming our opinion, which is expressed in the following paragraph.

In our opinion, the City of Bountiful complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Tensen & Keddington

October 6, 2005

**CITY OF BOUNTIFUL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For The Fiscal Year Ended June 30, 2005**

**STATE LEGAL COMPLIANCE
IMMATERIAL INSTANCES OF NONCOMPLIANCE**

EXPENDITURES IN EXCESS OF BUDGET

Finding

Utah State Code states, "Officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund." The City's Redevelopment Agency expenditures exceeded the budget by \$262,036.

Recommendation

We recommend that the City closely monitor expenditures in all departments and funds to ensure compliance with the Utah State Code.

Management Response

The Redevelopment Agency (RDA) had a budgeted amount for loans anticipated to be made to local businesses for the purpose of encouraging economic development and revitalization. During the fiscal year, three of these loans, totaling \$640,000, were approved by the RDA board. These loans exceeded the original budget anticipated for loan activity, and subsequently contributed to a net \$262,036 over-budget condition in expenditures of the fund.

Management and staff will endeavor to monitor department and fund expenditures more closely in the future to ensure full budgetary compliance.

PURCHASING POLICY

Finding

According to State Code the purchase of supplies, services, and construction shall be made in accordance with purchasing policies. The purchasing policy for the City states "Amounts to be paid by the City of \$10,000 or more, must be approved by the City Council." We selected a sample of 25 disbursements made throughout the year to test for compliance to the purchasing policy. Of our sample, one check for \$14,877.96 was issued without approval of the City Council.

Recommendation

We recommend that the City closely monitor expenditures to ensure that expenditures that are \$10,000 or more are approved by the City Council.

Management Response

The City and its departments have many consistent and recurring expenditures that are either under an approved contractual or a competitively bid arrangement. Examples include utility bills for natural gas, purchased water, purchased power, gasoline and diesel fuel, construction progress payments and many other similar types of expenditures. Management believes that a strict interpretation of the existing City procurement policy to require City Council approval of individual invoices exceeding \$10,000 for these types of consistent, recurring expenditures was not within the original legislative intent of the policy.

Management will review the auditor comment, and the above response, with the Public Safety and Finance Committee (and full City Council, if deemed necessary) to ensure that the long established practice followed is within the legislative intent of the Mayor and City Council. If necessary, the City Council may even consider a change to the wording of the policy.